



Lumena

LUMENA RESOURCES CORP.

旭光資源有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 67

GLOBAL OFFERING



Joint Global Coordinators and Joint Bookrunners

CREDIT SUISSE



BOC INTERNATIONAL



MACQUARIE

*Joint Sponsors
(in alphabetical order)*

CREDIT SUISSE



SOMERLEY LIMITED

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



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(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering :	577,200,000 Shares comprising 404,000,000 new Shares to be offered by the Company and 173,200,000 Sale Shares to be offered by the Selling Shareholders (subject to the Over-allotment Option)
Number of International Placing Shares :	519,480,000 Shares (subject to adjustment and the Over-allotment Option)
Number of Hong Kong Offer Shares :	57,720,000 Shares (subject to adjustment)
Maximum Offer Price :	not more than HK\$2.56 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund) and expected to be not less than HK\$1.72 per Offer Share
Nominal value :	US\$0.00001 per Share
Stock code :	67

Joint Global Coordinators and Joint Bookrunners



Joint Sponsors



Joint Lead Managers



Hong Kong Exchanges and Clearing Limited, the Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix IX, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Hong Kong Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission, and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement with the Joint Global Coordinators (on behalf of the Underwriters), the Selling Shareholders and us on the Price Determination Date, which is expected to be on or around June 10, 2009 and, in any event, not later than June 12, 2009. The Offer Price will be not more than HK\$2.56 and is currently expected to be not less than HK\$1.72. If, for any reason, the Offer Price is not agreed by June 12, 2009 by the Joint Global Coordinators (on behalf of the Underwriters), the Selling Shareholders and us, the Global Offering will not proceed and will lapse.

The Joint Global Coordinators (on behalf of the Underwriters) may, with our and the Selling Shareholders' consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published in the South China Morning Post (in English), the Hong Kong Economic Times (in Chinese) and on our website at www.lumena.hk and the website of the Stock Exchange at www.hkex.com.hk not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, then even if the number of Offer Shares and/or the indicative Offer Price range is so reduced, such applications cannot be subsequently withdrawn. For more details, please see the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Offer Shares commences on the Stock Exchange. Such grounds are set out in the section headed "Underwriting — Grounds for Termination of the Hong Kong Underwriting Agreement" in this prospectus.

The Offer Shares have not been and will not be registered under the Securities Act and may not be offered or sold, pledged or transferred within the United States or to, or for the account or benefit of US persons, except that the Offer Shares may be offered, sold or delivered to qualified institutional buyers in reliance on Rule 144A or outside the United States in reliance on Regulation S under the Securities Act.

June 4, 2009

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published in English in South China Morning Post and in Chinese in Hong Kong Economic Times.

Application lists of the Hong Kong Public Offering open⁽²⁾ 11:45 a.m. on June 9, 2009

Latest time for lodging **WHITE** and **YELLOW** Application Forms and giving **electronic application** instructions to HKSCC via CCASS⁽³⁾ 12:00 noon on June 9, 2009

Latest time to complete electronic applications under the **White Form eIPO** service through the designated website at **www.eipo.com.hk**⁽⁴⁾ 11:30 a.m. on June 9, 2009

Latest time to complete payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s) 12:00 noon on June 9, 2009

Application lists of the Hong Kong Public Offering close⁽²⁾ 12:00 noon on June 9, 2009

Expected Price Determination Date⁽⁵⁾ June 10, 2009

Announcement of the Offer Price, the indication of the levels of interest in the International Placing, the level of application in the Hong Kong Public Offering and the basis of allotment under the Hong Kong Public Offering to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on or before June 15, 2009

Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels (see "How To Apply For Hong Kong Offer Shares — 10. Results of Allocations") June 15, 2009

Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** with a "search by ID" function June 15, 2009

Despatch of Share certificates and refund checks on or before⁽⁶⁾ June 15, 2009

Dealings in Shares on the Stock Exchange expected to commence at 9:30 a.m. on June 16, 2009

Notes:

(1) Unless otherwise stated, all times and dates refer to Hong Kong local times and dates. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

(2) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on June 9, 2009, the application lists will not open and close on that day. Further information is set out in the paragraph headed "How to apply for Hong Kong Offer Shares — 6. When may applications be made — Effect of bad weather on the opening of the application lists" in this prospectus. If the application lists do not open and close on June 9, 2009, the dates mentioned in this section headed "Expected Timetable" may be affected. A press announcement will be made by us in such event.

(3) Applicants who apply by giving **electronic application instructions** to HKSCC via CCASS should refer to the paragraph headed "How to apply for Hong Kong Offer Shares — 5. Applying by giving electronic application instructions to HKSCC via CCASS" in this prospectus.

(4) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

EXPECTED TIMETABLE⁽¹⁾

- (5) We expect to determine the Offer Price by agreement with the Joint Global Coordinators (on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or around June 10, 2009 and, in any event, not later than June 12, 2009. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Underwriters), the Selling Shareholders and our Company by June 12, 2009, the Global Offering will not proceed and will lapse. Notwithstanding that the Offer Price may be fixed at below the maximum offer price of HK\$2.56 per Share payable by applicants for Hong Kong Offer Shares under the Hong Kong Public Offering, applicants for the Hong Kong Offer Shares are required to pay, on application, the maximum offer price of HK\$2.56 for each Share, together with 1% brokerage, a Stock Exchange trading fee of 0.005% and a SFC transaction levy of 0.004% but will be refunded the surplus application monies as provided in “How to apply for Hong Kong Offer Shares” in this prospectus.
- (6) **Share certificates for the Hong Kong Offer Shares will only become valid certificates of title provided that (i) the Global Offering has become unconditional, and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.** Refund checks will be issued in respect of wholly or partially unsuccessful applications, and also in respect of successful applications if the Offer Price is less than the price payable on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before cashing the refund check. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may lead to delay in encashment of or may invalidate the refund check.

Applicants who apply on **WHITE** Application Forms or **WHITE Form eIPO** for 1,000,000 Shares or more under the Hong Kong Public Offering and have indicated in their applications that they wish to collect refund checks and (where applicable) Share certificates in person from our Hong Kong Share Registrar may collect refund checks and (where applicable) Share certificates in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on June 15, 2009 or any other date notified by our Company in the newspaper is as the date of despatch of Share certificates/refund checks. Individual applicants who opt for personal collection must not authorize any other person to make their collection on their behalf. Corporate applicants who opt for personal collection must attend by their authorized representatives, each bearing a letter of authorization from such corporation stamped with the corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited. Uncollected Share certificates and refund checks will be despatched by ordinary post at the applicant's own risk to the address specified in the relevant Application Forms. Further information is set out in the paragraph headed “How to Apply for Hong Kong Offer Shares” in the Prospectus.

Applicants who apply on **YELLOW** Application Forms for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offering and have indicated in their Application Forms that they wish to collect refund checks in person may collect their refund checks (if any) but may not elect to collect their Share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedure for collection of refund checks for applicants who apply on **YELLOW** Application Forms for Hong Kong Offer Shares is the same as that for applicants who apply on **WHITE** Application Forms.

Share certificates for the Hong Kong Offer Shares to be distributed via CCASS are expected to be deposited into CCASS on June 15, 2009 for credit to the respective CCASS participant's stock accounts designated by the International Placing Agents, the purchasers or their agents, as the case may be.

Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed “How to apply for Hong Kong Offer Shares” in this prospectus for details.

If you have applied for less than 1,000,000 Hong Kong Offer Shares or have applied for 1,000,000 Hong Kong Offer Shares or more but have not indicated in the Application Form that you wish to collect Share certificates and/or refund checks, your Share Certificates and/or refund checks will be dispatched by ordinary post at the applicant's own risk to the address specified on the Application Form.

Refund checks will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applicants in the event that the Offer Price is less than the price payable on application.

Uncollected Share certificates and/or refund checks (if any) will be despatched by ordinary post at the applicants' own risk to the addresses specified in the Application Forms promptly after the expiry of the time for their collection. Further information is set out in the paragraph headed “Despatch/collection of share certificates and refund checks” under the section headed “How to apply for Hong Kong Offer Shares” in this prospectus.

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You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision.

We have not authorized anyone to provide you with information that is different from what is contained in this prospectus and/or the Application forms. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, the Joint Global Coordinators, any of the Underwriters, any of our and their respective directors, officers, employees, advisers, agents or representatives or any other person or party involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” of this prospectus. You should read the section carefully before you decide to invest in the Offer Shares.

Overview

We are engaged in the mining, processing and manufacturing of natural thenardite products. According to the information provided by Behre Dolbear, an independent market research consultant and an Independent Third Party, 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, an independent mining and geological consultant and an Independent Third Party, 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

SUMMARY

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. 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”. The average selling prices of our products for the years ended December 31, 2006, 2007 and 2008 are set out below:

	Year ended December 31,		
	2006	2007	2008
Average Sales Price (RMB/tonne)			
Powder thenardite — domestic ⁽¹⁾	300	278	313
Powder thenardite — exports	454	379	568
Medical thenardite	1,899	1,934	1,939
Specialty thenardite	—	858	856

Note:

(1) This includes sales to distributors who then export our products.

The domestic average selling price for our powder thenardite decreased from the year ended December 31, 2006 to the year ended December 31, 2007 primarily due to increased sales to customers who provided their own transportation as we account for transportation costs in our domestic selling prices. The domestic average selling price of our powder thenardite increased from the year ended December 31, 2007 to the year ended December 31, 2008 primarily due to an increase in our coal costs and transportation costs which we were able to pass on to our customers. The export average selling price of our powder thenardite decreased from the year ended December 31, 2006 to the year ended December 31, 2007 primarily due to decreased transportation costs as we accounted for transportation costs from our storage facility to export customs in our export selling price. The decrease of such transportation cost was principally a result of clearing customs for our exports through customs located closer to our storage facility. The export average selling price of our powder

SUMMARY

thenardite increased from the year ended December 31, 2007 to the year ended December 31, 2008 primarily due to an overall increase in our cost of sales and our sales to additional overseas customs at favorable average selling prices. The increase in average selling prices of our medical thenardite throughout the Track Record Period was primarily due to increased attention by the State FDA to the quality of and production process for medical thenardite in pharmaceutical products in the year ended December 31, 2006. We believe that this increased attention increased the demand for our medical thenardite which provided us with an opportunity to increase the average selling price of our medical thenardite. As we only began production and sales of our specialty thenardite in November 2007, the selling prices of this product have thus far been determined on a contract by contract basis. See “Financial Information — Factors Affecting Results of Operations and Financial Condition — Average Selling Prices”.

Our Competitive Strengths

We believe our success to date and potential for future growth can be attributed to a combination of our competitive strengths, including the following, each of which is further discussed in “Business — Our Competitive Strengths”:

- The world’s second largest thenardite producer in terms of production capacity with a leading market presence in China
- Accumulated thenardite production knowhow and research and development capabilities focused on the development of new products and applications and the improvement of our production process
- Abundant and quality glauberite ore reserves
- Recognized brand name among downstream industries and strong business relationships with our customers
- Well-positioned to benefit from the growth in demand for thenardite in China
- Experienced senior management team with industry expertise

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, each of which is further discussed in “Business — Our Strategies”:

- Continue expansion of production capacity
- Further explore acquisition opportunities to increase our thenardite reserve base
- Reduce production costs through research and development
- Develop new products and applications to target high margin sales

SUMMARY

Summary Historical Financial Information

The following summary historical income statement data for the years ended December 31, 2006, 2007 and 2008 and the summary historical balance sheet data as of December 31, 2006, 2007 and 2008 set forth below have been derived from the accountants' report prepared by Grant Thornton, Certified Public Accountants, Hong Kong, and included in Appendix I to this prospectus. You should read the summary historical financial information below in conjunction with our financial statements including the notes thereto included in "Appendix I — Accountants' Report of Lumena Resources Corp.", which have been prepared in accordance with IFRS.

	Year Ended December 31,		
	2006	2007	2008
	(RMB'000)		
Income Statement Information			
Revenue	204,755	371,530	1,140,354
Cost of sales	(112,430)	(151,295)	(343,794)
Gross profit	92,325	220,235	796,560
Other revenue and gains	4,618	5,324	3,128
Selling and distribution expenses	(24,565)	(6,912)	(11,147)
Other operating expenses	(14,429)	(69,223)	(67,878)
Repair expenses arising from earthquake	—	—	(8,280)
Operating profit	57,949	149,424	712,383
Finance costs	(7,079)	(34,521)	(98,800)
Profit before income tax	50,870	114,903	613,583
Income tax expense	(1,616)	(25,901)	(171,503)
Profit for the year	49,254	89,002	442,080
	As of December 31,		
	2006	2007	2008
	(RMB'000)		
Balance Sheet Information			
Non-current assets	120,413	939,329	1,604,108
Current assets	163,435	374,702	299,789
Total assets	283,848	1,314,031	1,903,897
Current liabilities	169,855	354,112	654,737
Non-current liabilities	—	631,049	423,618
Total liabilities	169,855	985,161	1,078,355
Net assets	113,993	328,870	825,542
Total equity	113,993	328,870	825,542

SUMMARY

Summary Historical Operating Information

The following table presents selected operating information for the periods indicated.

	Year Ended December 31,		
	2006	2007	2008
Thenardite Sales (tonnes)			
Powder thenardite — domestic	424,094	519,481	459,346
Powder thenardite — export	54,041	12,912	18,469
Medical thenardite	27,971	75,281	99,080
Specialty thenardite	—	89,270	926,830
Total thenardite sales	<u>506,106</u>	<u>696,944</u>	<u>1,503,725</u>
Average Sales Price (RMB/tonne)			
Powder thenardite — domestic	300	278	313
Powder thenardite — export	454	379	568
Medical thenardite	1,899	1,934	1,939
Specialty thenardite	—	858	856

Profit Forecast For The Year Ending December 31, 2009⁽¹⁾⁽²⁾⁽³⁾

Forecast consolidated profit attributable to equity holders of our Company for the year ending December 31, 2009 ⁽²⁾	Not less than RMB500.0 million
Unaudited pro forma forecast earnings per Share ⁽⁴⁾	Not less than RMB0.26

Notes:

- (1) The profit forecast for the year ending December 31, 2009 has not taken into account potential revenue, if any, that may be generated from our intended 0.2 million tpa medical thenardite production facility in the Muma Mining Area for our financial year ending December 31, 2009. See “Business — Our Products — Medical Thenardite” and “Business — Sales and Marketing — Pricing”.
- (2) The bases and assumptions on which the above profit forecast has been prepared are set out in Appendix III to this prospectus.
- (3) Please also 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”.
- (4) The calculation of the pro forma forecast earnings per Share is based on the forecast consolidated net profit attributable to equity holders of our Company for the year ending December 31, 2009, assuming that the Global Offering was completed on January 1, 2009 and a total of 1,924,000,000 Shares had been issued and outstanding during the entire year. This calculation assumes that the Over-allotment Option is not exercised, the Offer Shares issued pursuant to the Global Offering were issued on January 1, 2009 and no options are granted under the Pre-IPO Share Option Scheme and the Share Option Scheme.

SUMMARY

Offer Statistics⁽¹⁾

	Based on an Offer Price of HK\$1.72 per Share	Based on an Offer Price of HK\$2.56 per Share
Market capitalization ⁽²⁾	HK\$3,309.3 million	HK\$4,925.4 million
Pro forma adjusted net tangible asset value per Share ⁽³⁾⁽⁴⁾	HK\$0.49	HK\$0.66

Notes:

- (1) All statistics in this table are based on the assumption that the Over-allotment Option is not exercised.
- (2) The calculation of market capitalization is based on 1,924,000,000 Shares expected to be issued and outstanding following the Global Offering.
- (3) The pro forma adjusted net tangible asset value per Share is arrived at after the adjustments referred to in “Financial Information — Unaudited Pro Forma Adjusted Net Tangible Assets” on the basis of 1,924,000,000 Shares in issue and the respective Offer Prices of HK\$1.72 per Share and HK\$2.56 per Share.
- (4) The translation of Renminbi amounts into Hong Kong dollars has been made at the rate of RMB0.8813 to HK\$1.00. No representation is made that the Renminbi amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate, or at any rate or at all.

Dividend Policy

We will not declare or pay any dividends other than from profits and reserves lawfully available for distribution, including share premium. Our Shareholders may approve the distribution of dividends in a general meeting, but the amount may not exceed the amount recommended by our Directors. Our Directors may from time to time also declare interim dividends or may also declare dividends half yearly or at other intervals at a fixed rate if our Directors are of the opinion that the profits available for distribution justify the payment of such dividends.

We did not declare any dividends during the Track Record Period. The amount of any dividends to be declared or paid in the future will depend on, among other things, our results of operations, cash flows and financial condition, operating and capital requirements, the amount of distributable profits based on our Articles, the Cayman Companies Law, applicable laws and regulations and other relevant factors. Any future declarations of dividends may or may not reflect our Group’s historical declarations of dividends and will be at the absolute discretion of our Directors.

Our Directors intend to declare and recommend dividends in an amount of not less than 25% of the net profit attributable to the Shareholders in respect of the year ending December 31, 2010 and in respect of each financial year thereafter. However, such intention does not amount to any guarantee or representation or indication that our Company must or will or be able to declare and pay dividends in such manner or declare and pay dividends at all.

Any dividends declared will be in Hong Kong dollars with respect to the Shares on a per share basis and our Company will pay such dividends in Hong Kong dollars. Our Directors believe that our dividend policy mentioned above will not have a material adverse effect on our working capital position. See “Financial Information — Dividends”.

Use of Proceeds

We estimate that we will receive net proceeds from the Global Offering ranging from approximately HK\$539.2 million (assuming an Offer Price of HK\$1.72 per Offer Share, being the lower end of the estimated Offer Price range) to HK\$863.3 million (assuming an Offer Price of HK\$2.56 per Offer Share, being the higher

SUMMARY

end of the estimated Offer Price range), after deducting the underwriting commissions and estimated expenses payable by us in relation to the Global Offering.

We estimate that the Selling Shareholders will receive net proceeds from the Global Offering ranging from approximately HK\$284.5 million (assuming an Offer Price of HK\$1.72 per Offer Share, being the lower end of the estimated Offer Price range) to HK\$423.4 million (assuming an Offer Price of HK\$2.56 per Offer Share, being the higher end of the estimated Offer Price range), after deducting the underwriting commissions and estimated expenses payable by the Selling Shareholders in relation to the Global Offering.

Assuming we receive the estimated net proceeds as described above based on the mid-point of the indicative Offer Price of HK\$1.72 to HK\$2.56, we may allocate:

- approximately 65% of the net proceeds to us (approximately HK\$455.8 million) for the partial repayment of our offshore bank loan owed to the Facility Lenders under the Facility Arrangements;
- approximately 13.5% of the net proceeds to us (approximately HK\$94.7 million) for the construction of our thenardite mining and production facilities in the Muma Mining Area;
- approximately 13.5% of the net proceeds to us (approximately HK\$94.7 million) for the acquisition of additional mining rights; and
- the remaining of the net proceeds (approximately HK\$56.0 million) to fund working capital and other general corporate purposes.

Upon Listing, the remaining outstanding balance of our offshore bank loan owed to the Facility Lenders will be converted into a one-year term loan bearing an effective interest rate of 13.5% per annum repayable in full at maturity. See “History, Reorganization and Corporate Structure — Facility Arrangements — Amendment upon Listing”.

To the extent that the net proceeds of the Global Offering received by us are not immediately used for the purposes described above, they will be placed on deposit with banks or other financial institutions or held in other treasury instruments.

If the Over-allotment Option is exercised in full, we estimate the net proceeds of the Global Offering to the Selling Shareholders will range from approximately HK\$426.7 million (assuming an Offer Price of HK\$1.72 per Offer Share) to HK\$635.1 million (assuming an Offer Price of HK\$2.56 per Offer Share), after deducting the underwriting commissions and estimated expenses payable by the Selling Shareholders in relation to the Global Offering. We will not receive any of the net proceeds of the Global Offering from the sale of the Sale Shares and the Over-allotment Shares, if any by the Selling Shareholders. The Selling Shareholders will be responsible for the underwriting commission, together with any applicable Stock Exchange trading fees, SFC transaction levy, CCASS transaction fees and stamp duty payable in respect of the sale of their Shares. We will be responsible for all other costs of the Global Offering.

Risk Factors

There are certain risks relating to an investment in our Shares. These can be categorized into: (i) risks relating to our business and industry; (ii) risks relating to conducting business in the PRC; and (iii) risks relating to the Global Offering and our Shares. A detailed discussion of the risk factors is set forth in “Risk Factors”.

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Risks Relating to Our Business and Our Industry

- We are experiencing a period of rapid growth and may not be able to manage our growth effectively.
- Our business operations depend on the policies and regulations of the PRC government.
- 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.
- We have limited cash resources and are dependent on future cash flows generated from our business and obtaining additional financing to support our business operations, expand our production capacity and to continue as a going concern.
- We have experienced negative cash flow from our operating activities and there can be no assurance that we will not experience negative cash flow in the future.
- 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.
- We need additional capital to fund our operations and growth which we may not be able to obtain on acceptable terms, or at all.
- Demand for specialty thenardite may not develop as expected or at all.
- 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.
- We may not manufacture our products cost-effectively.
- Our business depends on the demand for and price of thenardite.
- 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.
- We may not be successful in future acquisitions or may encounter difficulties in integrating and developing the acquired assets or businesses.
- Our major capital projects may not be completed within the expected time frame and within our budget, or at all, and may not achieve the intended economic results.
- Our mining and production activities are subject to operational risks and hazards.
- Due to our location in Sichuan Province, we and a number of our customers are vulnerable to natural disasters and other events outside of our control, which may seriously disrupt our operations.
- Our business and results of operations are vulnerable to increases in energy costs.
- Our dependence on a limited number of customers and industries may cause significant fluctuations or declines in our revenues.

SUMMARY

- Our products may not meet customer specifications or industry standards.
- We operate in a highly competitive environment and we may not be able to sustain our current market position if we fail to compete successfully.
- We have limited insurance coverage which may not be sufficient to cover all of our potential losses.
- Our business depends substantially on the continuing efforts of our executive officers and our ability to attract and retain qualified technical personnel.
- We may fail to protect our intellectual property rights or be exposed to infringement or misappropriation claims by third parties and litigation involving intellectual property rights may be costly and may not be resolved in our favor.
- We may not be successful in developing new products and applications.
- Our existing Shareholders have substantial influence over our Company and their interests may not be aligned with the interests of our other Shareholders.
- We lack long-term sales contracts with our customers.
- We may fail to maintain effective internal controls.
- We lack building ownership certificates for some of our buildings in the PRC.
- We have been unable to obtain certain explosives permits under the 2006 Explosives Regulation.
- We operated in the Guangji Mining Area without mining rights and certain other relevant approvals.
- We may be adversely affected by the recent economic crisis in the world.

Risks Relating to Conducting Business in the PRC

- We are vulnerable to adverse changes in the political and economic policies of the PRC government that affect economic growth in China.
- We rely on dividends paid by our subsidiaries for our cash needs.
- Recent regulations relating to offshore investment activities by PRC residents may subject us to fines or sanctions.
- PRC regulation of direct investment and loans by offshore holding companies to PRC entities may delay or limit us from using the proceeds of the Global Offering to make additional capital contributions or loans to our PRC subsidiaries.
- A new PRC tax law increases the enterprise income tax rate applicable to our subsidiaries in China.
- Dividends payable by us to our foreign investors and gain on the sale of our Shares may become subject to withholding taxes under PRC tax laws.
- We may not be able to obtain necessary approvals for capital investment from the relevant governmental authority.

SUMMARY

- The interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties in China.
- You may experience difficulties in effective service of legal process, enforcing foreign judgments or bringing original actions in China based on United States or other foreign laws against us, our management or the experts named in the prospectus.
- We are vulnerable to fluctuations in the value of the Renminbi.
- Governmental control over currency conversion may affect the value of your investment and limit our ability to utilize our cash effectively.
- The outbreak of any severe communicable disease in the PRC or elsewhere may affect economic conditions.
- We may be subject to fines and penalties under the PRC Labor Contract Law and our labor costs may increase.

Risks Relating to the Global Offering and Our Shares

- There has been no prior public market for our Shares and the liquidity and market price of our Shares may be volatile.
- Purchasers of our Shares in the Global Offering will experience immediate dilution and may experience further dilution if we issue additional equity interests in the future.
- You may face difficulties in protecting your interests because we are incorporated under Cayman Islands law, which law may provide less protection to minority shareholders than the laws of Hong Kong and other jurisdictions.
- Future sales of substantial amounts of our Shares in the public markets could adversely affect the prevailing market price of our Shares.
- Our ability to raise capital in the future may be limited, and our failure to raise capital when needed could prevent us from executing our growth strategy successfully.
- Certain facts and statistics contained in this prospectus have come from official government or other industry publications, the reliability of which cannot be assume or assured.
- The options under the Pre-IPO Share Option Scheme and the Share Option Scheme may have negative effects on our share value and profitability.
- You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles or disseminated through other media relating to us and/or the Global Offering, which may not be consistent with the information contained in this prospectus.

Share Option Schemes

Pre-IPO Share Option Scheme

We have conditionally adopted the Pre-IPO Share Option Scheme on April 30, 2008, a summary of the terms and conditions of which is set out in “Appendix VII — Pre-IPO Share Option Scheme”. The purpose of the

SUMMARY

Pre-IPO Scheme is to recognize the contributions made by our Directors, senior managerial staff and employees and to retain those persons whose contributions are important to our long-term growth and profitability.

As at the Latest Practicable Date, we granted options exercisable into 76,000,000 Shares under the Pre-IPO Share Option Scheme to 198 grantees including our Directors, senior managerial staff and employees, under which these grantees are entitled to subscribe for Shares at the Offer Price in four phases in the following manner:

(A) For grantees who have joined our Company for at least one calendar year as of the Listing Date

<u>Exercise Period</u>	<u>Maximum number of options exercisable</u>
Any time from the 15 th business day after the Listing Date until the 1 st anniversary of the Listing Date	1 st phase options, being up to half of the total number of options granted
Any time after the 1 st the anniversary of the Listing Date until the 2 nd anniversary of the Listing Date	2 nd phase options, after the exercise of which, the cumulative number of exercised options may be up to two-thirds of total number of options granted
Any time after the 2 nd anniversary of the Listing Date until the 3 rd anniversary of the Listing Date	3 rd phase options, after the exercise of which, the cumulative number of exercised options may be up to five-sixths of the total number of options granted
Any time after the 3 rd anniversary of the Listing Date until expiry of the validity period of the relevant options	4 th phase options, being such number of options granted less the number of options already exercised

(B) For grantees who have joined our Company for less than one calendar year as of the Listing Date

<u>Exercise Period</u>	<u>Maximum number of options exercisable</u>
Any time after the 1 st anniversary of the Listing Date until the 2 nd anniversary of the Listing Date	1 st phase options, being up to half of the total number of options granted
Any time after the 2 nd the anniversary of the Listing Date until the 3 rd anniversary of the Listing Date	2 nd phase options, after the exercise of which, the cumulative number of exercised options may be up to two-thirds of total number of options granted
Any time after the 3 rd anniversary of the Listing Date until the 4 th anniversary of the Listing Date	3 rd phase options, after the exercise of which, the cumulative number of exercised options may be up to five-sixths of the total number of options granted
Any time after the 4 th anniversary of the Listing Date until expiry of the validity period of the relevant options	4 th phase options, being such number of options granted less the number of options already exercised

The exercise of the options would entitle these persons to purchase an aggregate of 76,000,000 Shares, representing (i) approximately 4.0% of our issued share capital immediately following completion of the Global Offering (but not taking into account any Shares which may be allotted and issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Share Option Scheme) and (ii) 3.8% of our issued share capital immediately following completion of the Global Offering and assuming that all the options granted under the Pre-IPO Share Option Scheme are exercised at the same time (but not taking into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme).

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Assuming that all the outstanding options granted under the Pre-IPO Share Option Scheme were exercised in full on the Listing Date and assuming the Global Offering was completed on January 1, 2009, the shareholding interest of the public would be changed from 30.0% to approximately 28.9% of our total issued share capital and the unaudited pro forma forecast earnings per Share for the year ending December 31, 2009 would be reduced from RMB0.26 to RMB0.25, assuming that the Over-allotment Option is not exercised (but not taking into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme).

Our total share-based payment expenses for the year ending December 31, 2009 in respect of the options granted under the Pre-IPO Share Option Scheme are estimated to be approximately RMB13,607,000.

The Directors have agreed not to exercise their options if such exercise of any part or parts of which will result in public float levels dropping below 25% of our issued share capital from time to time.

Share Option Scheme

We have conditionally adopted the Share Option Scheme on May 26, 2009, the purpose of which is to provide the people and the parties working for the interests of our Group with an opportunity to obtain an equity interest in our Company, thus linking their interest with the interest of our Group and thereby providing them with an incentive to work better for the interest of our Group. The principal terms of the Share Option Scheme is summarized in “Appendix VII — Share Option Scheme”.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set forth below. Certain other terms are explained in the section headed “Glossary of Technical Terms” in this prospectus.

“1984 Explosives Regulation”	Regulation on the Control of Explosives for Civilian Use (民用爆破物品管理條例) promulgated by the State Council on January 6, 1984
“2006 Explosives Regulation”	Regulation on the Safety Administration of Explosives for Civilian Use (民用爆炸物品安全管理條例) implemented by the State Council on September 1, 2006
“2006 Explosives Regulation Notice”	the Notice Relating to the Implementation of the 2006 Explosives Regulation (公安部關於貫徹執行《民用爆炸物品安全管理條例》有關問題的通知) issued by Ministry of Public Security on October 8, 2006
“AAA Mining”	AAA Mining Limited, a limited liability company incorporated in the BVI on May 18, 2007, is one of our Shareholders and wholly-owned by Triple A
“Administrative Measures of GMP Certification”	the Administrative Measures for the Certification of Good Manufacturing Practices (藥品生產質量管理 規範認證管理辦法) implemented by the State FDA on October 1, 2005
“Administrative Rules for Explosives”	Administrative Rules for Explosive Activities (爆破作業分級管理辦法) to be issued by the Ministry of Public Security pursuant to the 2006 Explosives Regulation
“affiliate(s)”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with a specified person
“Application Form(s)”	WHITE application form(s) or YELLOW application form(s) or GREEN application form(s) or, individually or collectively, as the context requires
“Articles” or “Articles of Association”	the articles of association of our Company adopted on April 25, 2008, and as amended from time to time, a summary of which is contained in “Appendix VI — Summary of the Constitution of our Company and Cayman Islands Companies Law”
“Asia Coal Bed”	Asia Coal Bed Methane Investment Limited (亞洲煤層氣投資控股有限公司), a limited liability company incorporated in the BVI on November 17, 2006, which was on the date of its incorporation wholly-owned by Woo Foong Hong and was then acquired entirely by Beansprouts on January 2, 2008

DEFINITIONS

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Banking Ordinance”	the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)
“Beansprouts”	Beansprouts Ltd., a limited liability company incorporated in the BVI on March 3, 2000, sole shareholder of Asia Coal Bed and Mandra Esop which is 50.0% owned by Mr. Zhang Songyi and 50.0% owned by Ms. Mui Bing How (Mr. Zhang Songyi’s spouse)
“Behre Dolbear”	Behre Dolbear & Company (USA), Inc., our independent market research consultant and an Independent Third Party who is unrelated to JT Boyd
“Behre Dolbear Report”	the market research report issued by Behre Dolbear on June 4, 2009
“Board”	the board of directors of our Company
“BOCI”	BOCI Asia Limited
“BOCOM”	BOCOM International Securities Limited
“BOYD” or “JT Boyd”	John T. Boyd Company, our independent mining and geological consultant who is unrelated to Behre Dolbear
“business day”	a day (excluding Saturday, Sunday or a public holiday) on which licensed banks in Hong Kong are open for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Cayman Companies Law”	the Companies Law (2007 Revision) of the Cayman Islands as amended, supplemented or otherwise modified from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation

DEFINITIONS

“CCASS Participant”	a CCASS Clearing Participant or CCASS Custodian Participant or CCASS Investor Participant
“China Sun Fund”	China Sun Fund Management Limited (中國陽光投資基金管理有限公司), a limited liability company incorporated in Hong Kong and an Independent Third Party
“Chengdu Yijing”	Chengdu Yijing Trading Chemical Engineering Co., Ltd. (成都藝競化工有限公司), a limited liability company incorporated in the PRC on December 29, 1998 and an Independent Third Party
“Chuanmei Glauber Salt”	Sichuan Chuanmei Special Glauber Salt Co., Ltd. (四川川眉特種芒硝有限公司), a WFOE duly organized under the laws of PRC with limited liability on June 19, 2007, in which we hold a 100.0% equity interest
“Chuanmei Mirabilite”	Sichuan Chuanmei Mirabilite Co., Ltd. (四川省川眉芒硝有限責任公司), a limited liability company duly organized under the laws of PRC on June 1, 2001, which was later converted into a sino-foreign joint venture on May 23, 2005, in which we hold a 90.0% equity interest and Sichuan First holds a 10.0% equity interest
“Cinda”	China Cinda Asset Management Corporation (中國信達資產管理公司), a company incorporated in the PRC on April 19, 1999 with limited liability, a state-owned enterprise and previously a 22.7% equity holder of Chuanmei Mirabilite
“Circular No. 75”	the Notice on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Round-trip Investment via Overseas Special Purpose Companies (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) issued on October 21, 2005 by SAFE
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended from time to time
“Company” or “our Company”, “Lumena”, “Group”, “our Group”, “we” or “us”	Lumena Resources Corp. (旭光資源有限公司), a limited liability company incorporated in the Cayman Islands on April 12, 2007 and except where the context indicates otherwise (i) our subsidiaries and (ii) with respect to the period before our Company became the holding company of our present subsidiaries, the business operated by our present subsidiaries or (as the case may be) their predecessors

DEFINITIONS

“Company Law”	the Company Law of the PRC (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Eighth National People’s Congress on October 27, 2005 and effective on January 1, 2006, as amended, supplemented or otherwise modified from time to time
“Connected Person”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules, and for the purpose of this prospectus, Nice Ace and Mr. Suolang Duoji
“Credit Suisse”	Credit Suisse (Hong Kong) Limited
“CSRC”	the PRC Securities Regulatory Commission (中國證券監督管理委員會)
“Dahongshan Mine”	our underground mine, located at the Dahongshan Mining Area, 90% owned and operated by us through Chuanmei Mirabilite
“Dahongshan Mining Area”	mining area located 20km northwest of Meishan City, Sichuan Province
“Director(s)”	director(s) of our Company
“Dongpo District Government”	the People’s Government of Dongpo District, Meishan City (眉山市東坡區人民政府)
“Exchange Act”	the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated under it
“EGM”	the extraordinary general meeting of our Company convened on May 26, 2009
“Facility Agreement”	the facility agreement dated June 23, 2007 relating to a US dollar term loan facility up to US\$100 million entered into by, among others, us as borrower and one of the original guarantors and Credit Suisse, Singapore Branch as facility agent and security agent acting for and on behalf of the Facility Lenders. See “History, Reorganization and Corporate Structure — Facility Arrangements” and “Appendix VIII — Principal Terms and Conditions of the Warrants”
“Facility Arrangements”	the arrangements pursuant to the Facility Agreement, the Instrument Constituting Warrants and the related agreements contemplated therein
“Facility Lenders”	Credit Suisse, Singapore Branch and Credit Suisse International

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“FIE”	a foreign-invested enterprise incorporated in China
“Financial Investors”	Tudor Global Emerging Markets Credit Portfolio L.P., The Tudor BVI Global Portfolio L.P., CVI GVF (Lux) Master SARL, Deutsche Bank AG, GLG Market Neutral Fund, Citigroup Financial Products Inc., and Myo Capital Master Fund Limited, all of which are Independent Third Parties
“GB/T 28001-2001 Occupational Safety and Health Management System”	GB/T 28001-2001 is a set of standards adopted by the SAC for occupational safety and health management
“GDP”	gross domestic product
“GEM”	the Growth Enterprise Market operated by the Hong Kong Stock Exchange
“Global Offering”	the Hong Kong Public Offering and the International Placing
“GMP Certification” or “GMP Certificate”	certification for good manufacturing practices and quality control for pharmaceutical products issued by the Sichuan FDA
“GREEN application form(s)”	the application form(s) to be completed by White Form eIPO service provider designated by the Company
“Good Manufacturing Practice Rules”	Good Manufacturing Practice Rules (藥品生產質量管理規範) implemented by the State FDA of the PRC on August 1, 1999
“Guangji Mine”	our underground mine, located in the Guangji Mining Area, wholly owned and operated by us through Chuanmei Glauber Salt
“Guangji Mining Area”	mining area located 12km southwest of the Dahongshan Mining Area
“Haton”	Haton Polymer & Fibre Corp., a limited liability company incorporated in the Cayman Islands on August 22, 2006 and controlled by Mr. Suolang Duoji
“Haton Group”	Haton and its subsidiaries, further details of which including its businesses and its relationship with our Group are set out in the section headed “Controlling, Substantial and Selling Shareholders” in this prospectus
“HK\$,” “Hong Kong dollars” and “cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited

DEFINITIONS

“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Offer Shares”	the Offer Shares offered pursuant to the Hong Kong Public Offering
“Hong Kong Public Offering”	the offering of initially 57,720,000 new Shares for subscription by the public in Hong Kong (subject to adjustment as described in the section headed “Structure of the Global Offering”) for cash at the Offer Price and on the terms and subject to the conditions described in this prospectus and the Application Forms
“Hong Kong Premises”	the premises located at 2801-2803 Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong (being property numbered 13 as referred to in the property valuation report as set out in Appendix IV to this prospectus)
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering set forth under “Underwriting — Hong Kong Underwriters”
“Hong Kong Underwriting Agreement”	the underwriting agreement dated June 3, 2009 relating to the Hong Kong Public Offering entered into among our Company, the Controlling Shareholders, the Joint Global Coordinators, among other parties, and the Hong Kong Underwriters
“Horwath”	Horwath Risk Advisory Services Limited, our independent internal control consultant
“Huarong”	Huarong Asset Management Corporation (中國華融資產管理公司), a company incorporated in the PRC on November 11, 1999 with limited liability, a state-owned enterprise and previously a 35.3% equity holder of Chuanmei Mirabilite
“IFRS”	International Financial Reporting Standards
“Implementation Rules for the PRC EIT Law”	the Implementation Rules for PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法實施條例) implemented by the State Council on January 1, 2008
“Independent Technical Review Report”	Independent Technical Review Report issued by JT Boyd dated June 4, 2009

DEFINITIONS

“Independent Third Party(ies)”	party(ies) which is/are independent of and not connected with any of the Directors, chief executives, Substantial Shareholders of our Company or any of our subsidiaries or any of their respective associates
“Instrument Constituting Warrants”	the instrument constituting warrants to purchase our Shares dated June 23, 2007 and as amended on January 9, 2009 and May 11, 2009 relating to the creation and issuance of the Warrants entered into by way of a deed poll by, among others, Nice Ace and us in favor of the Warrant Holders. Mandra Esop became a party and was bound by the terms of the Instrument Constituting Warrants pursuant to a deed of adherence dated May 30, 2008. See “Appendix VIII — Principal Terms and Conditions of the Warrants”
“International Placing Shares”	the Shares placed pursuant to the International Placing
“International Placing”	the placing of initially an aggregate of 519,480,000 Shares (including the Sale Shares) outside the United States (including such offering to professional investors in Hong Kong, other than retail investors in Hong Kong) in offshore transactions in accordance with Regulation S, and in the United States to QIBs in reliance on Rule 144A under the Securities Act, subject to adjustment and the Over-allotment Option
“International Placing Agents”	the placing agents of the International Placing led by the Joint Global Coordinators and expected to enter into the International Placing Agreement to underwrite the International Placing
“International Placing Agreement”	the placing agreement dated on or around June 10, 2009 relating to the International Placing which is expected to be entered into among our Company, the Controlling Shareholders, the Selling Shareholders, the Joint Global Coordinators on behalf of the International Placing Agents
“Investec Bank”	Investec Bank plc, formerly known as Investec Bank (UK) Limited, a company incorporated in the United Kingdom and a wholly owned subsidiary of Investec plc, an international investment and private banking group and the shares of which are listed on the London Stock Exchange
“ISO 9001:2000 Quality Management System”	GB/T19001-2000, identical to ISO 9001:2000, is a set of standards adopted by the SAC for quality management systems
“ISO 14001:2004 Environmental Management System”	GB/T24001-2004, identical to ISO 14001:2004, is a set of standards adopted by the SAC for environmental management systems
“Joint Global Coordinators” or “Joint Bookrunners”	Credit Suisse, BOCI and Macquarie
“Joint Lead Managers”	Credit Suisse, BOCI, Macquarie and BOCOM

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“Joint Sponsors”	Credit Suisse and Somerley
“Jones Lang LaSalle Sallmanns”	Jones Lang LaSalle Sallmanns Limited, our independent property valuer
“Latest Practicable Date”	May 29, 2009, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained in this prospectus
“LIBOR”	London Interbank Offered Rate
“Listing”	the listing of our Shares on the Main Board
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about June 16, 2009, on which the Shares are listed and dealings in the Shares first commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“LLC Capital”	LLC Capital Corporation, a limited liability company incorporated in the BVI on September 22, 2004
“Main Board”	the stock market operated by the Stock Exchange which is independent from and operated in parallel with the GEM. For the avoidance of doubt, the Main Board excludes GEM
“Mandra Capital”	MANDRA Capital, a limited liability company incorporated in the Cayman Islands on January 2, 2002 and is wholly-owned by Beansprouts
“Mandra Esop”	Mandra Esop Limited (formerly known as Mandra Capital ESOP Limited), a limited liability company incorporated in the BVI on January 8, 2008, is one of our Shareholders and wholly-owned by Beansprouts
“Mandra Mirabilite”	Mandra Mirabilite Limited (formerly known as Asia Coal Mine Methane Holdings Limited (亞洲煤層氣控股有限公司)), a limited liability company incorporated in the BVI on November 21, 2006, is one of our Shareholders and wholly-owned by Woo Foong Hong
“Macquarie”	Macquarie Capital Securities Limited
“Meishan AMC”	Sichuan Meishan Asset Management Corporation (四川省眉山地區資產經營公司), a company incorporated in the PRC on November 19, 1998 with limited liability, a state-owned enterprise and previously a 42.0% equity holder of Chuanmei Mirabilite

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“Meishan Jinlai”	Meishan Jinlai Chemicals Company Limited (眉山市金鍊化工有限公司), an Independent Third Party principally engaged in the business of distributing chemical products
“Meishan Mirabilite”	Meishan Mirabilite Company (眉山芒硝公司), the predecessor of Chuanmei Mirabilite, which was renamed as Meishan Mirabilite Factory (眉山芒硝廠) and further renamed as Sichuan Province Meishan Mirabilite Factory (四川省眉山芒硝廠)
“Memorandum”	the memorandum of association of our Company adopted on April 25, 2008, as amended from time to time
“Mineral Resources Law”	the Mineral Resources Law of the PRC (中華人民共和國礦產資源法) implemented by the Standing Committee of National People’s Congress on March 3, 1986 and amended on August 29, 1996
“Ministry of Finance”	the Ministry of Finance of the PRC (中國財政部)
“Ministry of Human Resources”	the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部)
“Ministry of Public Security”	the Ministry of Public Security of the PRC (中華人民共和國公安部)
“MLR”	the Ministry of Land and Resources of the PRC (中國國土資源部)
“MOFCOM”	the Ministry of Commerce of the PRC (中國商務部) or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外貿易經濟合作部)
“Moonchu”	Moonchu Foundation for Culture & Education Limited, a tax-exempt charity established by Mr. Zhang Songyi and his family
“Mr. Suolang Duoji”	Suo Lang Duo Ji (索郎多吉) (formerly known as Dominique Shannon (索郎多吉) and Li Yan (李炎)), the founder and chairman of our Company, a non-executive Director and Controlling Shareholder, and the sole shareholder of Nice Ace
“Mr. Wang Chun Lin”	Wang Chun Lin (王春林), a non-executive Director and a 50.0% shareholder of Triple A
“Mr. Zhang Songyi”	Zhang Songyi (張頌義), a non-executive Director and a 50.0% shareholder of Beansprouts
“Muma Mine”	our underground mine, located at the Muma Mining Area, wholly owned and operated by us through Chuanmei Glauber Salt

DEFINITIONS

“Muma Mining”	Sichuan Muma Mirabilite Mining Co., Ltd. (四川牧馬芒硝礦業有限公司), a limited liability company incorporated in the PRC on June 13, 2006 and is an Independent Third Party
“Muma Mining Area”	mining area located in Wuyang Village, Pengshan County, Meishan City, Sichuan Province (四川省眉山市彭山縣武陽鄉)
“Muma Mining Rights Agreement”	a mining resources and co-operation agreement dated September 10, 2007 between Chuanmei Glauber Salt as the purchaser and Muma Mining as the seller, pursuant to which Chuanmei Glauber Salt purchased from Muma Mining the mining rights in respect of the Muma Mining Area
“NDRC”	the National Development and Reform Commission (中華人民共和國國家發展和改革委員會)
“NDRC Rule”	Interim Measures for the Administration of Examination and Approval of Oversea Investment Projects (境外投資項目核准暫行辦法) promulgated by the NDRC in October 2004
“Nafine”	Nafine Group International Co., Ltd. (南風化工集團股份有限公司)
“National People’s Congress”	the PRC National People’s Congress (全國人民代表大會)
“New M&A Rules”	the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) promulgated on August 8, 2006 by MOFCOM, SASAC, the State Administration of Taxation, CSRC, SAIC and SAFE and effective on September 8, 2006
“Nice Ace”	Nice Ace Technology Limited, a limited liability company incorporated in the BVI on March 20, 2007 and one of the Controlling Shareholders, is wholly-owned by Mr. Suolang Duoji
“Non-coal Mining Safety Regulations”	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
“NSSF”	the National Council for Social Security Fund of the PRC (中國全國社會保障基金理事會)
“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of applicable brokerage fee, SFC transaction levy and Stock Exchange trading fee) of not more than HK\$2.56 and expected to be not less than HK\$1.72 per Offer Share, to be agreed upon by our Company, the Selling Shareholders and the Joint Global Coordinators (on behalf of the Underwriters) on or before the Price Determination Date

DEFINITIONS

“Offer Share(s)”	the Hong Kong Offer Shares or the International Placing Shares, individually or collectively
“OSSF Capital”	OSSF Capital Sdn. Bhd., a company incorporated in Malaysia on March 24, 2006 and one of our Shareholders
“Over-allotment Option”	the option expected to be granted by the Selling Shareholders under the International Placing Agreement to the Joint Global Coordinators exercisable by them on behalf of the International Placing Agents pursuant to which the Selling Shareholders may be required to sell up to an aggregate of 86,580,000 additional Shares, representing 15% of the initial number of Offer Shares to cover over-allocation in the International Placing, if any
“Over-allotment Shares”	up to an aggregate of 86,580,000 additional Shares, representing up to 15% of the initial number of Offer Shares at the Offer Price pursuant to the exercise of the Over-allotment Option
“P&G”	Procter & Gamble (Guangzhou) Ltd. (廣州寶潔有限公司), a limited liability company incorporated in the PRC and an Independent Third Party
“PBOC”	The People’s Bank of China (中國人民銀行)
“PBOC Rate”	the exchange rate for foreign exchange transactions set daily by the PBOC based on the previous day’s China interbank foreign exchange market rate and with reference to current exchange rates on the world financial markets
“Pharmaceutical Administrative Law”	the Pharmaceutical Administrative Law of the PRC (中國人民共和國藥品管理法) promulgated by the Standing Committee of the National People’s Congress on September 20, 1984, which was amended on February 28, 2001
“Pharmaceutical Production Permit”	the pharmaceutical production permit (藥品生產許可證) issued by the Sichuan FDA
“PRC” or “China”	the People’s Republic of China, and for the purposes of this prospectus, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“PRC EIT Law”	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法), promulgated on March 16, 2007 by the Standing Committee of the National People’s Congress and effective on January 1, 2008
“PRC GAAP”	the generally accepted accounting principles of the PRC

DEFINITIONS

“PRC government” or “State”	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
“PRC Labor Contract Law”	the PRC Labor Contract Law (中華人民共和國勞動合同法), promulgated on June 29, 2007 by the Standing Committee of the National People’s Congress and effective on January 1, 2008
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme conditionally adopted by our Company pursuant to the written resolutions passed by the Shareholders on April 30, 2008 details of which are set out in the paragraph headed “Pre-IPO Share Option Scheme” in Appendix VII to this prospectus
“Price Determination Date”	expected to be on June 10, 2009 on which the Offer Price is determined for the purposes of the Global Offering
“QIBs”	“qualified institutional buyers” within the meaning contained in Rule 144A
“Regulation S”	Regulation S under the Securities Act
“Reorganization”	the reorganization of our Group in anticipation of the Global Offering, details of which are set out in the section headed “History, Reorganization and Corporate Structure” and in Appendix VII to this prospectus
“Rich Light”	Rich Light International Limited, a limited liability company incorporated in the BVI on August 5, 2005, a direct wholly-owned subsidiary of our Company
“RM”	Malaysian Ringgit, the lawful currency of Malaysia
“RMB” or “Renminbi”	Renminbi yuan, the lawful currency of the PRC
“Rule 144A”	Rule 144A under the Securities Act
“SAC”	Standardisation Administration of the PRC (國家標準化管理委員會)
“SAEP”	the PRC State Administration for Environmental Protection (中國環境保護部)
“SAFE”	the PRC State Administration of Foreign Exchange (中國國家外匯管理局)
“Sale Shares”	the 173,200,000 Shares being initially offered for sale by the Selling Shareholders at the Offer Price under the International Placing (subject to the Over-allotment Option)

DEFINITIONS

“SAIC”	the State Administration for Industry and Commerce (中國國家工商行政管理總局)
“SASAC”	the State-owned Assets Supervision and Administration Commission of the PRC State Council (國務院國有資產監督管理委員會)
“SAWS”	the PRC State Administration of Worker Safety (國家安全生產監督管理總局)
“Securities Act”	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated under it
“Selling Shareholders”	Nice Ace, AAA Mining, Mandra Mirabilite, Mandra Esop and the Warrant Holders
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on May 26, 2009 pursuant to a resolution passed at the EGM on May 26, 2009, details of which are set out in the paragraph headed “Share Option Scheme” in Appendix VII to this prospectus
“Shareholder(s)”	holder(s) of Shares
“Shares”	our ordinary shares in the share capital of our Company with a nominal value of US\$0.00001 each
“Sichuan FDA”	the Food and Drug Administration of Sichuan Province (四川省食品藥品監督管理局)
“Sichuan First”	Sichuan First Silk Printing & Dyeing Co., Ltd. (四川省德陽富斯特新合纖有限責任公司), a limited liability company incorporated in the PRC on March 13, 2003, a 10.0% equity holder of Chuanmei Mirabilite and a Substantial Shareholder
“Sichuan Huatong”	Sichuan Huatong Investment Holding Co., Ltd. (四川華通投資控股有限公司) (formerly known as Sichuan Huatong Road & Bridge Group Co., Ltd. (四川省華通路橋集團有限公司)), a limited liability company incorporated in the PRC on September 2, 1996, previously a 10.0% equity holder of Chuanmei Mirabilite and now a wholly-owned company of Mr. Zhang Zhigang

DEFINITIONS

“Sichuan Huatuo”	Sichuan Huatuo Industry & Commerce Development Co., Ltd. (四川省華拓實業發展股份有限公司), a limited liability company incorporated in the PRC on April 15, 1999, previously a 90.0% equity holder of Chuanmei Mirabilite and now 69.9% owned by Sichuan Huatong
“Sichuan Tengzhong”	Sichuan Tengzhong Machinery and Equipment Company Limited (四川騰中機械設備有限公司), a limited liability company incorporated in the PRC on January 26, 2005 with a registered capital of RMB300.0 million and was previously 90.0% owned by Mr. Li Xudong, one of our Directors and a Connected Person. Mr. Li Xudong sold his equity interest in Sichuan Tengzhong on January 30, 2008 and Sichuan Tengzhong has since become an Independent Third Party
“Somerley”	Somerley Limited
“SPV”	offshore special purpose vehicle
“Specialty Thenardite Development Report”	the Specialty Thenardite Development Report (特種芒硝發展報告) dated January 16, 2008 and issued by the Specialty Thenardite Strategic Development Committee (特種芒硝發展戰略研究深題組) of the Academy of Social Sciences of Sichuan Province (四川省社會科學院), headed by Mr. Lin Ling (林凌), researcher and consultant of the Academy of Social Sciences of Sichuan Province. Mr. Xiao Shitong (肖世同), the chair of Office of Chemical Industry of Sichuan Province, Mr. Liu Shiqing (劉世慶), the chair of the Local Economy Research Centre of the Academy of Social Sciences of Sichuan Province, Mr. Zeng Xiangchun (曾祥春), the head of Sichuan Chemical Industry Office and Liu Yuyang (劉渝洋), a Ph.D. candidate of the Academy of Social Sciences of Sichuan Province, College of Industrial Study are members of the Specialty Thenardite Strategic Development Committee
“State Administration of Taxation”	the PRC State Administration of Taxation (中國國家稅務總局)
“State Council”	the PRC State Council (中國國務院)
“State FDA”	the Food and Drug Administration of the PRC (中國國家食品藥品監督管理局)
“Stabilizing Manager”	Credit Suisse
“subsidiary(ies)”	has the meaning as defined in section 2 of the Companies Ordinance
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules, and for the purpose of this prospectus, means Nice Ace, Mandra Mirabilite, Woo Foong Hong, Mr. Suolang Duoqi, Mr. Zhang Songyi, Ms. Mui Bing How, Moonchu and Sichuan First, See “Controlling, Substantial and Selling Shareholders”

DEFINITIONS

“Top Promise”	Top Promise Resources Limited, a limited liability company incorporated in Hong Kong on February 21, 2005 and an indirect wholly-owned subsidiary of our Company
“Track Record Period”	means the period comprising the three years ended December 31, 2006, 2007 and 2008
“Triple A”	Triple A Investments Limited, a limited liability company incorporated in the BVI on June 8, 2005, which is 50.0% owned by Mr. Wang Chun Lin and 50.0% owned by Ms. Chan Hiu Lai, Caroline (Mr. Wang Chun Lin’s spouse)
“UK”	the United Kingdom
“Underwriters”	the Hong Kong Underwriters and the International Placing Agents
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Placing Agreement
“United States” or “U.S.” or “US”	the United States of America
“US\$” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“Wansheng Town Government”	the People’s Government of Wansheng Town, Meishan County (眉山縣萬勝鎮人民政府)
“Warrants”	the warrants issued to the Warrant Holders with rights to purchase a certain number of Shares from Nice Ace, and to request us to purchase the Warrants pursuant to the Instrument Constituting Warrants
“Warrant Holders”	Credit Suisse, Singapore Branch and Credit Suisse International
“WFOE(s)”	wholly foreign-owned enterprise(s) in the PRC
“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Woo Foong Hong”	Woo Foong Hong Limited (五豐行有限公司), a limited liability company incorporated in the BVI on June 3, 2003, which is wholly owned by Moonchu
“%”	percent

DEFINITIONS

In this prospectus, if there is any inconsistency between the Chinese names of the entities or enterprises established in China and their English translations, the Chinese names shall prevail. English translations of company names in Chinese or another language and Chinese translations of company names in English are for identification purposes only.

GLOSSARY OF TECHNICAL TERMS

The glossary of technical terms contains explanation of certain terms used in this prospectus as they relate to our Company and as they are used in this prospectus in connection with our Group and our business. These terms and their given meanings may not correspond to standard industry definitions.

<u>TERM</u>	<u>DEFINITION</u>
“baumé gravity”	designating or conforming to either of the scales used by the French chemist, Antoine Baumé (1728-1804). One scale, which is used with liquids heavier than water, sinks to 0° (B or Bé, symbols for Baumé) in pure water and to 15° (B or Bé) in a 15 percent salt solution. The other scale for liquids lighter than water, sinks to 0° (B or Bé) in a 10 percent salt solution and to 10° (B or Bé) in pure water
“bord” and “pillar”	method of underground mine extraction characterized by ore removal around non-mined pillars also known as room and pillar
“CaSO ₄ ”	calcium sulfate
“cell” or “block”	a defined area of glauberite ore bordered by roadways usually rectangular in configuration, in which a series of roadways and crosscuts are developed, the remaining pillars and roof strata are drilled and blasted, with the resulting bulk blasted area subject to water inundation and recovery of mirabilite
“dip”	angle at which the strata are inclined in relation to the horizontal plane
“face”	mine location where active ore extraction is taking place
“feasibility study”	a feasibility study by international standards assesses in detail the technical soundness and economic viability of an undeveloped mining project, and serves as the basis for the investment decision and as a bankable document for project financing. The study is based on a detailed mine plan and constitutes an audit of all geological, engineering, environmental, legal and economic information accumulated on the project. Generally, a separate environmental impact study is required
“glauberite”	Na ₂ SO ₄ • CaSO ₄ , the ore in the ground. Only thenardite, or Na ₂ SO ₄ , is soluble, and is recovered as product. Typically the Na ₂ SO ₄ constitutes 35% to 40% of the ore

GLOSSARY OF TECHNICAL TERMS

TERM

DEFINITION

“indicated mineral resource”

that part of a mineral resource for which tonnage, densities, shape, physical characteristics, quality and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or quality continuity but are spaced closely enough for continuity to be assumed

“inferred mineral resource”

that part of a mineral resource for which tonnage, quality and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or quality continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability

“JORC Code”

Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves

“km”

kilometer

“m”

meter

“m²”

square meter (also sq.m)

“m³”

cubic meter (also cu.m)

“m³/min”

cubic meters per minute

“marketable reserves”

saleable thenardite product from recoverable reserves after accounting for mining and processing losses

“measured mineral resource”

that part of a mineral resource for which tonnage, densities, shape, physical characteristics, quality and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and quality continuity

“medical thenardite”

the mirabilite bulk drug used for pharmaceutical purposes, which has a minimum Na₂SO₄ • 10H₂O purity of 99.4% and a Na₂SO₄ purity of 99.0%

GLOSSARY OF TECHNICAL TERMS

<u>TERM</u>	<u>DEFINITION</u>
“mine plan”	by international standards includes the current documentation of the state of development and projected exploitation of a deposit during its economic life including current mining plans. It is generally made by the operator of the mine. The study takes into consideration the quantity and quality of the minerals extracted during the reporting time, changes in economic viability categories due to changes in prices and costs, development of relevant technology, newly imposed environmental or other regulations, and data on exploration conducted concurrently with mining. A map of the deposit is included showing the roadway layout, production cell areas and the projected annual sequence of extraction
“mineral resource”	a concentration or occurrence of material of intrinsic economic interest in or on the earth’s crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, quality, geological characteristics and continuity of mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral resources are sub-divided, in order of increasing geological confidence, into inferred, indicated and measured categories
“mining rights”	the rights to mine mineral resources and obtain mineral products in areas where mining activities are licensed
“mirabilite”	$\text{Na}_2\text{SO}_4 \cdot 10\text{H}_2\text{O}$, the dissolved Na_2SO_4 that is piped out of the mine with some minor impurities
“mm”	millimeter
“Mt”	million tonnes
“mtpa”	million tonnes per annum
“mtu”	metric tonne unit
“NaCl”	sodium chloride
“ Na_2SO_4 ”	sodium sulfate
“ore”	a naturally occurring solid material, from which metal or valuable mineral can be extracted
“ore processing”	the process through which physical or chemical properties, such as density, surface reactivity, magnetism and color, are utilized to separate the useful components of ore from useless stones, and which are then concentrated or purified by means of flotation, magnetic selection, electric selection, physical selection, chemical selection, reselection, and combined methods

GLOSSARY OF TECHNICAL TERMS

<u>TERM</u>	<u>DEFINITION</u>
“ore reserve”	the economically mineable part of a measured or indicated mineral resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, and include consideration of the modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore reserves are sub-divided in order of increasing confidence into probable ore reserves and proved ore reserves
“outcrop”	the part of the glauberite bed exposed to the surface
“out-of-seam”	non-glauberite material above and below the glauberite bed recovered during mining
“partings”	rock material within the glauberite bed
“pH”	a measure of acidity or alkalinity of a solution. Aqueous solutions at 25°C with a pH less than seven are considered acidic, while those with a pH greater than seven are considered basic (alkaline)
“pillar”	column of glauberite zone left behind for support in a bord and pillar mine
“probable reserve” or “probable ore reserve”	the economically mineable part of an indicated, and in some circumstances, a measured mineral resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified
“processing plant”	facility used to recover thenardite product from mirabilite, including removal of impurities and drying operations
“productivity”	measurements of worker efficiency usually expressed in terms of tonnes per unit of time

GLOSSARY OF TECHNICAL TERMS

TERM

DEFINITION

“proved reserve” and “proved ore reserve”

the economically mineable part of a measured mineral resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified

“roadway”

underground entry developed by drill and blast mining methods

“solution mining”

a method of mining where the underground ore area is divided into production cells which are flooded with water to dissolve desired materials and the resulting solution is removed from the cells by pumps

“thenardite”

anhydrous Na_2SO_4 , the dry product sold which has a minimum Na_2SO_4 purity of 95% or the part of the ore that is pure Na_2SO_4

“tonne”

metric ton equal to 1,000 kg

“tpa”

tonnes per annum

“yield”

saleable portion of thenardite recovered from mirabilite during processing

FORWARD-LOOKING STATEMENTS

We have included in this prospectus forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

Forward-looking statements contained in the prospectus are subject to risks and uncertainties.

These forward-looking statements include, without limitation, statements relating to:

- our business strategies;
- our capital expenditure plans;
- our operations and business prospects;
- our dividend policy;
- the regulatory environment as well as the industry outlook generally;
- future developments in our industry; and
- general economic trends in China.

This prospectus contains certain statements that are “forward-looking” and uses forward-looking terminology such as “anticipate”, “believe”, “expect”, “estimate”, “may”, “ought to”, “should”, “will” and similar expressions. Those statements include, among other things, the discussion of our growth strategy and expectations concerning our future operations, liquidity and capital resources. Purchasers of our Shares are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that, although we believe the assumptions on which the forward-looking statements are based are reasonable, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The risks and uncertainties in this regard include those identified in the “Risk Factors” section in this prospectus. Actual results may differ materially from information contained in forward-looking statements as a result of numerous factors, including, without limitation, those described in the “Risk Factors” section and the following:

- supply and demand changes in thenardite products;
- changes in prices for thenardite products;
- our production capabilities;
- our plans and objectives for future operations and expansion or consolidation;
- our relationship with, and other conditions affecting, our customers;
- risks inherent to our mining and production;
- competition;
- inflationary trends and interest rate changes;
- the effects of changes in currency exchange rates;

FORWARD-LOOKING STATEMENTS

- environmental laws and regulations;
- regulatory and court decisions;
- future legislation, including regulations and rules as well as changes in enforcement policies;
- changes in political, economic, legal and social conditions in China, including the PRC government's specific policies with respects to the thenardite industry, economic growth, inflation, foreign exchanges and the availability of credit;
- economic conditions in East Asia, the United States, Europe and elsewhere in the world;
- weather conditions or catastrophic weather-related damage; and
- our liquidity and financial condition.

We undertake no obligation to publicly update or revise any forward-looking statements contained in this prospectus, whether as a result of new information, future events or otherwise, except as required by applicable laws, rules and regulations. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

In light of these and other risks and uncertainties, the inclusion of forward-looking statements should not be regarded as representations by us that our plans and objectives will be achieved.

RISK FACTORS

In addition to other information in this prospectus, you should carefully consider the following risk factors before making any investment decision in relation to the Offer Shares. If any of the possible events described below occur, our business, prospects, financial condition and results of operations could be materially and adversely affected and the market price of the Offer Shares could decline. See “Definitions” and “Glossary of Technical Terms” for specific or specialized vocabulary used in this section.

Risks Relating to our Business and our Industry

We are experiencing a period of rapid growth and may not be able to manage our growth effectively.

We are experiencing a period of rapid growth and expansion that has placed, and continues to place, significant demands on our management personnel, systems and resources. We have increased our thenardite mining and production capacity by 1.0 million tpa and we plan 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. To accommodate this growth, we anticipate that we will need to implement a variety of new and upgraded operational and financial systems, procedures and controls, including the improvement of our accounting and other internal management systems, all of which require substantial management effort and significant additional expenditures. As we have a limited history operating on such a large scale, we may not have sufficient experience to address the risks frequently encountered by companies that attempt to realize a large increase in capacity in a short time, including our potential failure to:

- effectively manage large scale production;
- attract, train, motivate and retain qualified personnel;
- manage the logistics, utility and supply needs of our expanded operations; or
- maintain adequate control over our expenses.

We cannot assure you that we will be able to manage our growth effectively, and failure to do so may have a material adverse effect on our business, prospects, financial condition and results of operations.

Our business operations depend on the policies and regulations of the PRC government.

We are subject to extensive national, provincial and local governmental laws, regulations, policies and controls. The liabilities, costs, obligations and requirements associated with these laws and regulations may be material and may delay the commencement of, or cause interruptions to, certain parts of our operations. Failure to comply with the relevant laws and regulations in our mining and production operations may result in the suspension of our operations. There can be no assurance that the relevant government agencies will not change such laws or regulations or impose additional or more stringent laws or regulations. Compliance with laws or regulations may require us to incur material capital expenditures or other obligations or liabilities that may have a material adverse effect on our business, prospects, financial condition and results of operations. Specific governmental policies and regulations that have a material effect on our operations include:

Glauberite exploration and mining rights. On September 12, 2008, we obtained the mining rights in the Guangji and Muma Mining Areas and renewed mining rights in the Dahongshan Mining Area. Our current mining rights with respect to the Dahongshan, Guangji and Muma Mining Areas all extend to 2038. However, once such rights expire we may not be able to renew our mining rights on favorable terms, or at all. Accordingly, if we are unable to renew such rights, we may not be able to continue our operations at such mines and our

RISK FACTORS

financial condition and results of operations will be materially and adversely affected. In addition, we cannot assure you that we will be successful in procuring the necessary exploration rights, that any initial exploration work will reveal a deposit worthy of development, or that we will be successful in procuring the necessary mining right permit in connection with any future acquisition or expansion. Failure to procure exploration or exploitation and mining rights may have a material adverse effect on our business, prospects, financial condition and results of operations. See “Business — Government Regulations”.

Mining safety regulations. We cannot predict the timing or the outcome of safety inspections. In addition, recent significant mining accidents in China have prompted the PRC government to strengthen safety regulations, and future accidents may result in more stringent regulations. As a result, we may be required to devote substantial financial and other resources to comply with these regulations. If we fail to comply with the relevant safety laws and regulations or fail to pass safety inspections, we may be required to pay penalties or fines or take remedial actions, any of which may result in adverse publicity and potentially significant monetary damages that may have a material adverse effect on our business, prospects, financial condition and results of operations or cause us to suspend operations or cease operations entirely.

Environmental regulations. We may use, generate and discharge toxic, volatile and otherwise hazardous chemicals and wastes in our research and development and production processes and are subject to and required to comply with all PRC national and local environmental protection laws and regulations. Environmental protection laws and regulations impose fees for the discharge of waste substances, require the establishment of reserves for reclamation and rehabilitation and impose fines for serious environmental offences. We are required to obtain various permits, including permits for pollution discharge, in connection with our mining or production processes. We are also required to file with the relevant government authorities for the storage and use of hazardous chemicals. There can be no assurance that we will be able to renew such permits upon expiry or to obtain the relevant government approval for the storage and use of the hazardous chemicals when required. The PRC government may shut down any facility that fails to correct or cease operations that raise environmental concerns. In addition, if more stringent regulations are adopted in the future, we cannot assure you that we will be able to fully comply with such regulations and the costs of compliance with these new regulations may be substantial. If we fail to comply with existing or future environmental laws and regulations, we may be required to pay penalties or fines or take remedial actions, any of which may result in adverse publicity and potentially significant monetary damages that may have a material adverse effect on our business, operations, financial condition, prospects and results of operations or cause us to suspend operations or cease operations entirely.

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.

We do not have land use rights for certain parcels of land where our Dahongshan Mine and Guangji Mine are located and currently lease these parcels, totalling 700,003.5 m², from the Wansheng Town Government and the Dongpo District Government, respectively. We have built certain facilities including 15 buildings with an aggregate floor area of approximately 4,899.85 m² on these leased parcels. We do not have building ownership certificates and construction project completion approvals to these 15 buildings because we do not have the land use rights for the underlying land. Part of the leased land includes the roads leading to the primary access tunnels into our mines. There can be no assurance that our access will not be hindered or encumbered as we do not have the land use rights over the roads leading to our primary access tunnels. These tunnels cannot be easily relocated without significant disruption to our mining operations. Under the relevant PRC laws, the mining rights for an underground mine and the land use rights for the land where the mine is located are granted separately. Our underground mining activities are unaffected by our lack of valid land use rights for the land directly above our mining reserves and our use of the 865.9 m² of land adjacent to the primary access tunnels to our underground mines is in compliance with PRC laws. In addition, none of our thenardite production and processing facilities are located on the collectively-owned land. See “Business — Property”. Only state-owned land can be granted or

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leased for industrial use, including open-pit or surface mining operations. The leased parcels where the Dahongshan Mine and Guangji Mine are located are collectively-owned land rather than state-owned land and therefore cannot be used or leased for our aboveground industrial operations under PRC laws. As a result, our lease agreements with the Wansheng Town Government and the Dongpo District Government and our use of these leased parcels and facilities located on such parcels are not in compliance with the relevant PRC laws and we may be subject to monetary fines, governmental, third party or other actions and may be forced to stop operating on such property. If we are no longer able to access the primary access tunnels to our mines, or if we no longer have access to these leased parcels, our mining operations will be severely disrupted and our financial condition and results of operations will be materially and adversely affected. See “Business — Property”.

We have limited cash resources and are dependent on future cash flows generated from our business and obtaining additional financing to support our business operations, expand our production capacity and to continue as a going concern.

We have cash requirements both for ongoing operating expenses, working capital, general corporate purposes and for interest and principal payments on our outstanding indebtedness. As of December 31, 2008, we had cash and cash equivalents of RMB0.8 million and our current liabilities exceeded our current assets by RMB354.9 million. As of December 31, 2008 we had net cash generated from operating activities of RMB751.5 million and net cash used in investing activities of RMB799.9 million and net cash used in financing activities of RMB21.9 million. Net cash generated from operating activities in the year ended December 31, 2008 was primarily due to operating profit before working capital changes of RMB775.2 million plus working capital changes of RMB123.9 million. The net cash used in investing activities in the year ended December 31, 2008 was primarily due to payment for the acquisition of mining rights, deposits paid for the acquisition of property, plant and equipment, the payment of the purchase of land use rights and purchases of property, plant and equipment, all of which were associated with the development of our production facilities in the Guangji Mining Area. We had a net cash outflow of RMB70.3 million in the year ended December 31, 2008. Upon Listing, the remaining outstanding balance of our offshore bank loan owed to the Facility Lenders will be converted into a one-year term loan bearing an effective interest rate of 13.5% per annum repayable in full at maturity. There can be no assurance we will have sufficient funds to repay this loan at maturity. See “History, Reorganization and Corporate Structure — Facility Arrangements — Amendment upon Listing”. If we are unable to generate sufficient revenue and cash from our operations or secure additional financing to meet our obligations, we may be forced to reduce expenditures or not be able to continue as a going concern. Reduction of expenditures could have a negative impact on our business and would make it more difficult for us to execute our strategy, including our expansion plans in accordance with our expectations.

In addition, our financial statements included in this prospectus have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Our ability to continue as a going concern is substantially dependent on projections of our profits and cash flow from operations and our ability to obtain continued bank financing to meet our working capital and financing requirements. If there is an adverse change to such projections or our ability to obtain additional financing, our financial statements may need to be prepared on an alternative authoritative basis and adjustments relating to the recoverability and classification of recorded asset amounts or the classification of liabilities may need to be made. Furthermore, future reports issued by our auditors could include a “going concern qualification”, which could have a negative impact on our ability to obtain financing and may adversely impact our stock price.

We have experienced negative cash flow from our operating activities and there can be no assurance that we will not experience negative cash flow in the future.

Our net cash (used in)/generated from operating activities amounted to RMB(10.1) million, RMB147.9 million and RMB751.5 million in the years ended December 31, 2006, 2007 and 2008, respectively. Our negative

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cash flow from operations in the year ended December 31, 2006 was primarily due to an increase in trade and other receivables, deposits and prepayments of RMB84.6 million, which was primarily due to increases in amount due from Mr. Suolang Duoqi of RMB45.7 million and deposits and prepayments of RMB18.3 million. The entire amount of RMB45.7 million due from Mr. Suolang Duoqi was settled in full in 2008. Deposits and prepayments increased primarily as a result of a payment of RMB14.0 million on behalf of our employees in connection with the construction of staff quarters, which was recovered in full in 2008, and an increase in prepayments for transportation expenses and factory utilities as a result of our increased production volumes. There can be no assurance that we will not face negative cash flow in the future, which could negatively affect our liquidity and may materially and adversely affect our businesses, prospects, financial condition and results of operations.

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.

As of December 31, 2008, we had RMB0.8 million in cash and cash equivalents and RMB682.6 million in outstanding bank borrowings of which approximately RMB258.9 million was due within one year. We cannot assure you that we will be able to obtain extensions of these credit facilities in the future as they mature. In the event we are unable to obtain extensions of these facilities, or if we are unable to obtain sufficient alternative funding at reasonable terms, we will have to repay these borrowings with cash generated by our operating activities. We cannot assure you that our business will generate sufficient cash flow from operations to repay these borrowings. In addition, repaying these borrowings with cash generated by our operating activities will divert our financial resources from the requirements of our ongoing operations and growth, and may have a material adverse effect on our business, prospects, financial condition and results of operations. Furthermore, we are subject to interest rate fluctuations on our financial indebtedness which may adversely impact our cash flow if prevailing interest rate increases. See “Financial Information — Market Risks — Interest rates”.

We financed our recent expansion of our mining operations and production facilities with the proceeds received under the Facility Arrangements and onshore bank borrowings. The Facility Arrangements were originally entered into to finance the acquisition of several mines and existing production facilities in our Guangji and Muma Mining Areas. In October 2007, we approached the Facility Lenders and revised our use of proceeds for the loan so that we could construct our 1.0 million tpa production facility in the Guangji Mining Area instead of acquiring existing production facilities. As a result of this change, the revenue stream we anticipated when entering into the Facility Arrangements did not materialize until November 2007, resulting in our breach of both the consolidated total debt to consolidated EBITDA ratio and consolidated total debt to total capitalization ratio as at June 30, 2007 and September 30, 2007. We were able to obtain waivers from the relevant lenders on October 9, 2007 and May 9, 2008, respectively, for such covenant breaches. See “Financial Information — Indebtedness — Bank borrowings” and “History, Reorganization and Corporate Structure — Facility Arrangements”. Without obtaining such waivers or timely remedy of such breaches, the relevant lenders may accelerate the amounts due under those loans. Any acceleration of indebtedness may cause defaults and cross defaults under our current and future financing and as well as significant reductions in our liquidity and may have a material adverse effect on our business, prospects, financial condition and results of operations. After the Listing, our loan facility under the Facility Arrangements will still be secured by our offshore bank accounts. We may lose our ability to access such accounts if we default on such facilities and the lenders elect to enforce such security. We have also entered into short term loan agreements with various onshore banks, under which we pledged our mining rights for the Dahongshan Mining Area, certain land use rights, buildings, mining structures, machinery and equipment of our onshore subsidiaries as security. We may lose part or all of these pledged property and assets if we cannot repay the onshore loans when they mature, which may materially and adversely affect our business, prospects, financial condition and results of operations.

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We need additional capital to fund our operations and growth which we may not be able to obtain on acceptable terms, or at all.

We need capital to fund capital expenditure associated with our new production facilities and the acquisition of additional mining rights in the future. Cash generated from the Global Offering is insufficient to fully fund our expansion strategy. As of March 31, 2009, we have expended RMB546.9 million in connection with the production facilities in the Muma Mining Area. We anticipate we will need RMB505.6 million to further finance our expansion plan in the Muma Mining Area. The expansion in the Muma Mining Area will be financed with the proceeds from the Global Offering and by our operating cash flow and internal cash resources. There can be no assurance that we will generate sufficient cash flow for our intended expansion plans. In the event we do not have such operating cash flow, we will need to obtain alternative financing.

There is no assurance that we will be able to obtain adequate financing on acceptable terms, or at all. Our ability to obtain additional capital on acceptable terms will be subject to a variety of uncertainties, including:

- investor perceptions of and appetite for securities of companies engaged in the mining and production of thenardite;
- conditions in the capital and financial markets in which we may seek to raise funds;
- our future results of operations, financial condition and cash flows;
- Chinese governmental regulation of foreign investment in companies engaged in the thenardite mining and production;
- economic, political and other conditions in China and the rest of the world;
- the amount of capital that other Chinese entities may seek to raise in the foreign capital markets; and
- Chinese governmental policies relating to foreign currency borrowings.

We may be required to scale back our planned capital expenditures, which may adversely affect our ability to achieve economies of scale and implement our planned growth strategy. Upon Listing, the remaining outstanding balance of our offshore bank loan owed to the Facility Lenders will be converted into a one-year term loan bearing an interest rate of 13.5% per annum repayable in full at maturity. In addition, this loan will restrict us from incurring any additional offshore borrowing and limit our onshore borrowings to no more than RMB500.0 million at any time outstanding. See “History, Reorganization and Corporate Structure — Facility Arrangements — Amendment upon Listing”. The terms of any future debt facilities may also impose restrictive covenants that may restrict our business and operations. In the event that we breach any of these covenants, we may not be able to obtain waivers from our lenders. Our inability to raise additional funds in a timely manner and on terms favorable to us, or at all, may have a material adverse effect on our business, prospects, financial condition and results of operations.

Demand for specialty thenardite may not develop as expected or at all.

We focused on the production of powder and medical thenardite prior to the Track Record Period. We commenced production of specialty thenardite in November 2007. For the years ended December 31, 2007 and 2008, 20.6% and 69.6%, respectively, of our sales revenue were generated from specialty thenardite. For the years ended December 31, 2007 and 2008, specialty thenardite had a gross profit margin of 81.9% and 77.8%, respectively, compared to the gross profit margin of 32.0% and 28.2%, respectively, for powder thenardite. A decrease in the demand for specialty thenardite would reduce our profits and profit margins. We cannot assure

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you that the gross profit margin on our specialty thenardite will be maintained or will not decline or that the market for such products will grow as expected, or at all. We cannot assure you that we will be able to maintain or grow our customer base to utilize our increased production capacity. If the demand for specialty thenardite decreases or if we are unable to expand our customer base to utilize our production capacity, our business, prospects, financial condition and results of operations may be materially and adversely affected. See “— We may be adversely affected by the recent economic crisis in the world”.

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.

Our Dahongshan production facility currently holds the GMP Certification and the Pharmaceutical Production Permit, both of which are required under the PRC laws for the production of medical thenardite. Our GMP Certification and Pharmaceutical Production Permit will expire in September 2009 and December 2010, respectively, and there can be no assurance that we will be able to renew them upon their expiration. See “Business — Quality Control”. Since our continued production and sale of medical thenardite, which accounted for 39.2% and 16.9% of our revenue for the year ended December 31, 2007 and 2008, respectively, are dependent on the GMP Certificate and the Pharmaceutical Production Permit, if we are unable to renew either of them on time or at all, our business, prospects, financial condition and results of operations may be materially and adversely affected.

We do not have a GMP Certification and Pharmaceutical Production Permit for our intended 0.2 million tpa production facility of medical thenardite in the Muma Mining Area. There can be no assurance that we will get such certification or permit for the Muma Mining Area on time or at all. Failure to obtain such certification or permit would delay the commencement of production of medical thenardite at such facility which would have a material adverse effect on our business, prospects, financial condition and results of operations.

In addition, other producers in China may obtain the GMP Certification and Pharmaceutical Production Permit required for the production of medical thenardite. Any competition from any licensed producer for medical thenardite may have a material adverse effect on our business, prospects, financial condition and results of operations.

We may not manufacture our products cost-effectively.

A number of factors, many of which are beyond our control, may cause delays and cost overruns, which may negatively affect our profitability. These factors include manufacturing difficulties, supply disruptions and defects in raw materials or equipment. If we are unable to streamline and adjust our production facilities to increase efficiency or if we face technological difficulties in our production processes, we may be unable to achieve cost-effective production of our products which may have a material adverse effect on our business, prospects, financial condition and results of operations.

In addition, our profit margins are significantly influenced by our ability to maintain high production yields and capacity utilization. We expect to continue to incur substantial depreciation and other expenses in connection with the expansion of our production facilities. Given the high fixed costs of our business, our profitability depends on both the absolute pricing levels for our products and on capacity utilization rates for our production facilities. During the Track Record Period, we maintained a high level of utilization at our production facility in the Dahongshan Mining Area. We only commenced commercial production at our production facility in the Guangji Mining Area on November 1, 2008. During our ramp-up period at the Guangji Mining Area production facility our utilization rates were low. For details of our production capacity and volume during the Track Record Period, see “Financial Information — Factors Affecting Results of Operations and Financial

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Condition — Increased Production Capacity”. We cannot assure you that we will be able to maintain the utilization rates to provide for cost effective production in the future. In extended periods of low demand, we may experience relatively low capacity utilization rates in our operations which may have a material adverse effect on our business, prospects, financial condition and results of operations.

Our business depends on the demand for and price of thenardite.

We currently derive and expect to derive substantially all of our revenues from thenardite sales in the near future. Our business is dependent on the demand and price of thenardite which are beyond our control. According to Behre Dolbear, demand for thenardite over the past ten years has been relatively constant or declining in certain European and North American countries due to the stabilization or decline of certain thenardite consuming industries such as the powder detergent, kraft paper, textile and glass industries in these regions. Now that there are at least three other producers in China with a production capacity of more than 1.0 million tpa, there is a risk of price-cutting by thenardite producers in China to secure market share, according to Behre Dolbear. See “Industry Overview” and “Business — Sales and Marketing — Pricing”. Any negative changes to thenardite demand or price may have a material adverse effect on our business, prospects, financial condition and results of operations.

In addition, our medical thenardite is subject to a price control by the Sichuan Commodity Price Control Bureau (四川省物價局), which set a price ceiling of RMB4,500 per tonne of medical thenardite from June 2005 to June 2010. Many pharmaceutical products with medical thenardite as an ingredient may also be subject to various price controls as set by the relevant governmental authorities. These price controls may be subject to further downward adjustments as the PRC governmental authorities seek to make pharmaceutical products more affordable to the general public. Since the implementation of PRC Pricing Control Law (中華人民共和國價格法) in May 1998, the relevant PRC governmental authorities have ordered price reductions with respect to a number of pharmaceutical products. Any future tightening of price controls or government mandated price reductions relating to medical thenardite or its downstream pharmaceutical products may have a material adverse effect on our business, prospects, financial condition and results of operations.

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.

Our resources and reserves estimates are based on a number of assumptions in accordance with the JORC Code. However, we cannot assure you that our resources and reserves will be recovered in the quantities, quality or yields presented in this prospectus.

Ore resources and reserves estimates are inherently prone to variability. They involve expressions of judgment with regard to the presence and grade of mineralization and the ability to extract and process the mineralization economically. These judgments are based on a variety of factors, such as knowledge, experience and industry practice. The accuracy of these estimates may be affected by many factors, including the quality of the results of drilling and sampling of the ore bodies and analysis of the ore samples and the procedures adopted and experience of the person(s) making the estimates.

If we encounter mineralization or geological or mining conditions at our mines different from those predicted by historical drilling, sampling and similar examinations, we may have to adjust our mining plans in a way that may materially and adversely affect our business, prospects, financial condition and results of operations and reduce the estimated amount of ore resources and reserves available for production and expansion plans.

You should not assume that the resources estimated are capable of being directly reclassified as reserves under the JORC Code. The inclusion of resources estimates should not be regarded as a representation that these amounts can be exploited economically. You are cautioned not to place undue reliance on resources and reserves

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estimates. See “Business — Our Mining Operations and Production Facilities” and “Appendix V — Independent Technical Review Report”.

We may not be successful in future acquisitions or may encounter difficulties in integrating and developing the acquired assets or businesses.

We plan to increase our glauconite reserves through acquisitions of other mining rights and mining assets. In addition to mining rights and mining assets, if we are presented with appropriate opportunities, we may acquire other businesses or assets that are complementary to our business. We do not have specific timetables for these plans and we cannot assure you that we will be successful in these applications or acquisitions. In addition, we must receive various regulatory approvals and/or permits in order to develop our reserves. See “Business — Government Regulations”. Our inability to acquire mining rights or assets, develop glauconite reserves or obtain necessary governmental approvals may have a material adverse effect on our business, prospects, financial condition and results of operations.

Future acquisitions may also expose us to potential risks, including risks associated with the assimilation of new technologies, businesses and personnel, unforeseen or hidden liabilities, the diversion of management attention and resources from our existing business and the inability to generate sufficient revenues to offset the costs and expenses of an acquisition. Any difficulties encountered in the acquisition and integration process may have a material adverse effect on our business, prospects, financial condition and results of operations.

Our major capital projects may not be completed within the expected time frame and within our budget, or at all, and may not achieve the intended economic results.

Our projects currently under development require significant capital expenditures. As of December 31, 2008, we had incurred capital expenditures of RMB824.4 million in connection with our operations and expansion, of which approximately RMB29.0 million was paid in February 2008 in connection with the land use right of the Guangji Mining Area. We estimate that capital expenditures for the construction of a 0.2 million tpa medical thenardite production facility and 1.0 million tpa powder and specialty thenardite production facility in the Muma Mining Area will be RMB406.1 million and RMB646.4 million, respectively. As of March 31, 2009, we have expended RMB546.9 million in connection with the Muma Mining Area. These projects may be delayed or adversely affected by a number of factors beyond our control, including the failure to obtain regulatory approvals and permits or sufficient funding or other resource constraints. Moreover, actual costs for our capital projects may exceed our budgets. As a result of project delays, cost overruns, changes in market circumstances or other factors, we may not be able to achieve the intended economic benefits of these projects, which in turn may materially and adversely affect our business, prospects, financial condition and results of operations.

Our mining and production activities are subject to operational risks and hazards.

Our mining and production operations are subject to a number of operational risks and hazards, some of which are beyond our control, which could delay the production and delivery of our products, increase the cost of mining and production at our production facilities or result in accidents in our mines or production facilities. These risks and hazards include unexpected maintenance or technical problems, periodic interruptions due to inclement or hazardous weather conditions and natural disasters, industrial accidents, leakage of the pipelines that transport mirabilite solution from mining facilities to production facilities, power or fuel supply interruptions, critical equipment failure, malfunction and breakdowns of information management systems, fires, earthquakes, flooding and unusual or unexpected variations in mineralization, geological or mining conditions. These risks and hazards may result in personal injury, damage to or destruction of properties or production facilities, environmental damage, business interruption, possible legal liability, damage to our business reputation and corporate image and, in severe cases, fatalities. We have, since 2002, experienced three accidents at our mines. Two accidents were related to railway car collisions. The third accident involved a roof fall during

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equipment installation at our mine in the Guangji Mining Area. See “Business — Safety Control — Occupational Health and Safety”. We cannot assure you that accidents will not occur in the future. Such accidents may have a material adverse effect on our reputation, business, prospects, financial condition and results of operations.

In addition, breakdowns of equipment, difficulties or delays in obtaining materials and equipment, natural disasters, terrorist incidents, industrial accidents or other causes could temporarily disrupt or even shut down our operations, which in turn may also materially and adversely affect our business, prospects, financial condition and results of operations.

Due to our location in Sichuan Province, we and a number of our customers are vulnerable to natural disasters and other events outside of our control, which may seriously disrupt our operations.

Our existing mining and production operations, and the operations of a number of our customers are located in Sichuan Province. Certain events such as earthquake, snow storms or other natural disasters may disrupt our mining or production operations or the operations of our customers. This could force our customers to obtain products from other sources. Furthermore, a disruption of operations at our customers’ facilities could lead to reduced demand for our products.

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 120 kilometers away from the earthquake epicenter. We suffered a total loss of RMB9.2 million primarily as a result of damage to certain inventories, production facilities and equipment, suspension of mining operation for six days and suspension of production operations for less than 2 days at our operational production and mining facilities. There can be no assurance that we may not be directly or indirectly further affected by the after-effects of this earthquake, which in turn may materially and adversely affect our business, prospects, financial condition and results of operations. See “Business — Impact of Recent Earthquake in Sichuan, China”.

Our business and results of operations are vulnerable to increases in energy costs.

We rely heavily on coal to provide heat and power for thenardite production. We expect coal costs to remain our largest raw material expenditure in the future. We purchase our coal pursuant to short-term supply contracts with a term of one year or less at spot market prices with reference to caloric content. Coal prices in China are directly affected by changes in supply and demand in the China market and, to a lesser extent, fluctuations in coal prices in the international market. Our average purchase price per tonne of coal was RMB185, RMB192 and RMB270 in the years ended December 31, 2006, 2007 and 2008, respectively. This resulted in coal costs of RMB40.8 million, RMB56.9 million and RMB157.7 million in the years ended December 31, 2006, 2007 and 2008, respectively. In addition, we also partially rely on the public electricity network for our electricity needs. The average electricity price per kilowatt-hour was RMB0.52, RMB0.54 and RMB0.56 in the years ended December 31, 2006, 2007 and 2008, respectively. This resulted in electricity costs of RMB8.8 million, RMB9.8 million and RMB15.9 million in the years ended December 31, 2006, 2007 and 2008, respectively. See “Financial Information — Description of Selected Income Statement Line Items — Cost of Sales”. Any increase in domestic prices for coal or electricity could materially and adversely affect our business, prospects, financial condition and results of operations.

Many cities and provinces in the PRC have suffered serious power shortages since the second quarter of 2004. Many of the regional grids do not have sufficient power generating capacity to satisfy in full the increased demand for electricity driven by continued economic growth and extreme weather conditions. Many regions in China suffered power outages during the severe snow storms in February 2008, and our mining and production facility in the Guangji Mining Area experienced a power outage that lasted for two days. In the event of power

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shortage or outage, our business, operation, results of operations and financial conditions could be materially and adversely affected.

Our dependence on a limited number of customers and industries may cause significant fluctuations or declines in our revenues.

Sales to our top five customers by revenue constituted 32.8%, 41.9% and 45.0% of our total revenues for the years ended December 31, 2006, 2007 and 2008, respectively. See “Business — Sales and Marketing”. We anticipate that our dependence on a limited number of customers will continue for the foreseeable future. We cannot assure you that we will be able to retain these customers or that they will maintain current level of business with us. If there is a reduction or cessation of orders from any of these customers for any reason, our business, prospects, financial condition and result of operations will be adversely affected.

We understand that a substantial portion of our products have been supplied to the powder detergent, glass and textile industries. We anticipate sales to these three downstream industries will continue to account for a substantial portion of our thenardite production for the foreseeable future. If a substitute for thenardite is developed or thenardite demand declines in one or more of these downstream industries, our business, prospects, financial condition and results of operations will be materially and adversely affected.

Our products may not meet customer specifications or industry standards.

Our customers require our thenardite products to be of a consistent quality to ensure that the products they produce are of an acceptable quality for their downstream use. There can be no assurance that our thenardite products will meet our customers’ quality requirements or meet industry standards on a consistent basis or at all. Failure to do so may result in possible legal liability, damage to our business reputation, corporate image and client relationship, which may in turn cause a material adverse effect on our business, prospects, financial condition and result of operations.

We operate in a highly competitive environment and we may not be able to sustain our current market position if we fail to compete successfully.

We may experience downward pressure on our prices and profit margins, largely due to additional industry capacity from competitors in China. Some of our competitors may be able to operate more efficiently due to a number of factors and may also have greater access to capital and substantially greater production, intellectual property, marketing and other resources than we do.

The principal competitive factors affecting the thenardite industry include:

- quality and quantity of marketable reserves;
- prices, as affected by a thenardite producer’s ability to reduce costs and maintain an adequate production yield;
- product features and quality;
- customer service and technical expertise;
- available capacity and ability to supply products in line with increased demand in a timely manner; and
- timely introduction of new products.

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Our ability to compete successfully in the thenardite industry also depends on factors partially outside of our control, including industry and general economic conditions. We cannot assure you that our strategies will remain competitive or that they will continue to be successful in the future. Increased competition may result in pricing pressure and loss of our market share, either of which may have a material adverse effect on our financial condition and results of operations.

We have limited insurance coverage which may not be sufficient to cover all of our potential losses.

We only have limited insurance coverage. As a result, we may have to pay out of our funds for financial and other losses, damages and liabilities, including those caused by fire, weather, disease, civil strife, industrial strikes, breakdowns of equipment, difficulties or delays in obtaining raw materials and equipment, natural disasters, terrorist incidents, industrial accidents or other causes. We also do not have any business interruption insurance or third party liability insurance other than motor vehicle insurance. Any business disruption or natural disaster may result in substantial costs and diversion of resources. Losses incurred or payments we may be required to make may have a material adverse effect on our business, prospects, financial condition and results of operations to the extent such losses or payments are not insured or the insured amount is not adequate.

Our business depends substantially on the continuing efforts of our executive officers and our ability to attract and retain qualified technical personnel.

Our business depends substantially on the continued services of our executive officers and, to a significant extent, on our ability to attract, train and retain qualified technical personnel, particularly those with expertise in glauberite mining and thenardite production. For example, Mr. Zhang Daming, our chief executive officer, has been working with us since August 2004 and has been critical to our growth and strategic development. We do not carry key person insurance on any of our personnel, and we cannot assure you that we will be able to attract or retain qualified technical personnel. If one or more of our executive officers or key employees were unable or unwilling to continue their service with us, we might not be able to replace them with persons of equivalent expertise and experience within a reasonable period of time or at all. If any of our executive officers or key employees joins a competitor or forms a competing company, we may lose customers, suppliers, know-how and key personnel and staff members. If any dispute arises between such employees and us, we cannot assure you the extent to which any non-competition undertakings of such employees could be enforced in our favor or at all. Our business may be severely disrupted, our financial condition and results of operations may be materially and adversely affected, and we may incur additional expenses to recruit, train and retain personnel. As our business has grown and is expected to continue to grow rapidly, our ability to train and integrate new employees into our operations may not meet the growing demands of our business.

We may fail to protect our intellectual property rights or be exposed to infringement or misappropriation claims by third parties, and litigation involving intellectual property rights may be costly and may not be resolved in our favor.

We regard our proprietary trademark, patent, trade secrets, know-how and other similar intellectual properties as critical to our success. We cannot assure you that infringement of our intellectual property rights by other parties does not exist now or will not occur in the future. We seek to protect our proprietary technologies, trademark, production processes, documentation and other written materials primarily through intellectual property laws and contractual restrictions. We also require employees and consultants with access to our proprietary information to execute confidentiality agreements with us.

In addition, our intellectual property rights may not be adequately protected because:

- other parties may still misappropriate our technologies despite the existence of laws or contracts prohibiting it;

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- policing unauthorized use of our intellectual property may be difficult, expensive and time-consuming, and we may be unable to determine the extent of any unauthorized use; and
- enforcement under intellectual property laws in China may be slow and difficult in light of the application of such laws and the uncertainties associated with the PRC legal system. See “— Risks Relating to Conducting Business in China — The interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties in China”.

Reverse engineering, unauthorized copying or other misappropriation of our proprietary technologies may enable third parties to benefit from our technologies without paying us for doing so. Any inability to adequately protect our proprietary rights may have a material negative impact on our ability to compete, to generate revenue and to grow our business.

We believe our trademarks are important to our success and competitive position. We have registered our trademarks including “Chuanmei” (川眉) and “Sansu” (三蘇) in the PRC. We are currently unaware of any material violations or infringements of our trademarks. However, there can be no assurance that the actions taken by us will be sufficient to protect our trademarks. The unauthorized use of our trademarks on counterfeit products could harm our market image and reputation, which could materially and adversely affect our business, prospects, financial condition and results of operations.

To protect our intellectual property rights and maintain our competitive advantage, we may file suits against parties who we believe are infringing upon our intellectual property rights. Such litigation may be costly and may divert management attention and our other resources away from our business. In certain situations, we may have to bring lawsuits in foreign jurisdictions, in which case we are subject to additional risks as to the result of the proceedings and the amount of damages that we can recover. In addition, we have no insurance coverage against litigation costs and would have to bear all costs arising from such litigation to the extent we are unable to recover them from other parties. An adverse determination in any such litigation may impair our intellectual property rights and may harm our reputation, business, prospects, financial condition and results of operations.

In addition, our success depends largely on our ability to use and develop our technology and know-how without infringing the intellectual property rights of third parties. We cannot assure you that we will not be subject to claims of infringement upon the intellectual property rights of third parties. The validity and scope of any potential claims relating to our mining and production technology and know-how involve complex scientific, legal and factual questions and analysis and, therefore, may be highly uncertain. The defense and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings can be both costly and time consuming and may significantly divert the efforts and resources of our technical and management personnel. An adverse determination in any such litigation or proceedings to which we are a party may subject us to significant liability to third parties, require us to seek licenses from third parties, pay ongoing royalties, or redesign our products or subject us to injunctions prohibiting the manufacture and sale of our products or the use of our technologies. Protracted litigations may also result in our customers or potential customers deferring or limiting their purchase or use of our products until resolution of such litigations.

We may not be successful in developing new products and applications.

We believe that growth in the thenardite market is partially driven by reaching new markets through the expansion of the number and variety of products and applications. We currently produce three main categories of thenardite products and in order to capture market growth must continue to research and develop new thenardite products as well as new downstream applications for the existing products. We cannot assure you that we will be successful in developing new products at a pace competitive with other thenardite producers or at a pace

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matching evolving industrial needs in China and globally, or at all. If we cannot continue to develop and expand our product and application technology base, our business, prospects, financial condition and results of operations may be materially and adversely affected.

Our existing Shareholders have substantial influence over our Company and their interests may not be aligned with the interests of our other Shareholders.

Mr. Suolang Duoji currently beneficially owns 63.9% of our issued share capital and will beneficially own approximately 43.1% of our enlarged issued share capital upon the completion of the Global Offering. As such, Mr. Suolang Duoji has substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions, timing and amount of our dividend payments, and otherwise controls or influences actions that require the approval of our Shareholders. These actions may be taken even if they are opposed by our other Shareholders, including those who purchase the Shares in the Global Offering.

This concentration of ownership may discourage, delay or prevent a change in control of our Company, which may deprive our Shareholders of an opportunity to receive a premium for their shares as part of a sale of our Company and might reduce the price of our Shares. Furthermore, our amended Articles, which will become effective immediately upon the closing of the Global Offering, contains a quorum requirement of at least one-third of our total issued Shares present in person or by proxy. Two or more Shareholders with an aggregate shareholding of more than one-third may constitute a quorum and approve actions which may not be in the best interest of our minority Shareholders.

We lack long-term sales contracts with our customers.

Our customers have not provided us, and are not obligated to provide us, with any long-term purchase orders or commitments. Our customers generally issue purchase orders on an as-needed basis pursuant to annual framework contracts. See “Business — Sales and Marketing — Thenardite Sales Contracts”. Accordingly, we do not have long-term purchase orders or commitments to protect us from the adverse financial effects of a reduction in the demand for our products and services that could result from a general economic downturn, the entry of new competitors into the market, the introduction by others of new or improved production technology, an unanticipated shift in the needs of our customers or any other factor affecting the demand for our products and services. In addition, the price of a particular product for a customer, which is subject to negotiation on a periodic basis, generally declines over time. We cannot assure you that our customers will continue to place orders with us in similar quantities, or at all. If they fail to do so, there may be a material adverse effect on our business, prospects, financial condition and results of operations.

We may fail to maintain effective internal controls.

In preparation for the Global Offering, we have implemented various measures to improve our internal controls. We intend to continue to monitor and take further steps to improve our internal controls in the future. Upon the completion of the Global Offering, due to our limited experience with the internal control measures that we have recently implemented, we cannot assure you that all such measures taken to improve our internal controls will be effective as expected or that material deficiencies in our internal controls will not be discovered in the future. Our efforts to improve our internal controls have required, and may continue to require, increased costs and significant management time and commitment. If we fail to maintain effective internal controls in the future, then our business, prospects, financial condition and results of operations may be materially and adversely affected. See “Business — Internal Controls and Actions to Ensure Future Compliance”.

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We lack building ownership certificates for some of our buildings in the PRC.

As at the Latest Practicable Date, we lacked building ownership certificates for some of our buildings situated on land that we own. The aggregate floor area of these properties is 11,270.4 m², representing approximately 11.2% of the aggregate floor area we occupy (excluding office spaces leased from third parties). These structures may be required to be demolished by the government authorities.

We will consider relocating such buildings to other locations within our facilities or re-construct such buildings if requested by relevant government authorities. If we are required by the relevant PRC land authority to cease occupying the relevant properties and if we fail to find alternative replacement sites on terms acceptable to us, we may need to relocate part of our operations which may have a material adverse effect on our business, prospects, financial condition and results of operations. See “Business — Property”.

As of the Latest Practicable Date, we lacked the building ownership certificates for two buildings located on land that we own near the Meishan train station. We use these buildings to store our thenardite products prior to shipment or collection by customers and these buildings are not crucial to our operations. Our Directors confirm that we are in the process of applying for the building ownership certificates for these two buildings. There can be no assurance that we will obtain these building ownership certificates on a timely basis or at all. See “Business — Property”.

We have been unable to obtain certain explosives permits under the 2006 Explosives Regulation.

We use explosives on a regular basis in our mining operations. 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 which 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. As of the Latest Practicable Date, the Administrative Rules for Explosives had not been issued. As a result, we have been unable to obtain the explosives permits required by the 2006 Explosives Regulation. We cannot assure you that we will obtain such permits in a timely manner, or at all once the Administrative Rules for Explosives is implemented. Without such permits we may be subject to governmental action that would stop us from using explosives and thereby severely disrupting our mining operations, which would have a material adverse effect on our business, results of operations and financial conditions. See “Business — Explosives Permit”.

We operated in the Guangji Mining Area without mining rights and certain other relevant approvals.

We commenced pilot commercial mining and production at our 1.0 million tpa production facility in the Guangji Mining Area in November 2007. We operated continuously from such time without mining rights, necessary permits and approvals relating to production safety, environmental protection and construction completion and certain other permits and approvals for our mining and production activities in the Guangji Mining Area. On September 12, 2008, we received the mining rights with respect to the Guangji Mining Area, on October 31, 2008 we received the safety production permit for our mining and production facility in the Guangji Mining Area and by November 1, 2008, we had received other required permits and approvals except the explosives permits, land use rights with respect to certain collectively-owned lands and building ownership certificates and construction project completion approval for the aboveground buildings located on such lands as

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disclosed elsewhere in this prospectus. See “— 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 these parcels” and “— We have been unable to obtain explosives permits under the 2006 Explosives Regulation.” Our operation in the Guangji Mining Area during this period without the necessary safety production permit, environmental impact assessment approval, acceptance certificate for the environmental protection, acceptance certificate for completion of construction project, safety inspection certificate and fire control system acceptance certificate for completion may result in a fine which includes the disgorgement of revenues generated during the period of operations without the needed rights, permits and approvals. See “Business — Our Mining Operations and Production Facilities — Guangji Mining Area and Production Facility”.

We may be adversely affected by the recent economic crisis in the world.

The recent global economic crisis has adversely affected the U.S. and the world economies. Under such deteriorating global economy and with the continual weak sentiment, demand for, among other things, thenardite and its downstream products may fall, which in turn would affect our profitability. As a result of recent events, we have experienced pricing pressure on our powder thenardite product and anticipate slower growth of specialty thenardite demand. Moreover, many banks have been tightening credit, which may increase our financing costs. Banks may also reduce the amount of or discontinue the banking facilities currently available to us. If this economic downturn continues, our business, results of operations and financial conditions could be materially and adversely affected.

Risks Relating to Conducting Business in the PRC

We are vulnerable to adverse changes in political and economic policies of the PRC government that affect economic growth in China.

All of our business operations are conducted in China and we anticipate selling substantially all of our products in China in the near future. The largest demand for thenardite comes from downstream industries such as powder detergent, textile and glass. The growth in these industries are linked to economic trends and development. Accordingly, we are affected by the economic, political and legal environment in China, and China’s overall GDP growth.

The Chinese economy differs from the economies of most developed countries in many respects, including the fact that it:

- has a high level of government involvement;
- is in the early stages of development of a market-oriented economy;
- has experienced rapid growth;
- has a tightly controlled foreign exchange policy; and
- is characterized by an inefficient allocation of resources.

Since 1978, China has been one of the world’s fastest growing economies in terms of GDP growth. We cannot assure you, however, that such growth will be sustained in the future. In addition, due to the close trade relationship between the United States, the European Union, some Asian countries and China, if an economic slowdown or economic crisis occurs in these countries, China’s economic growth may be materially adversely

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affected. Efforts by the PRC government to slow the pace of growth of the Chinese economy may result in reduced demand for our products.

Moreover, while the Chinese economy has grown significantly in the past 30 years, the growth has been uneven, both geographically and among various sectors of the economy. The Chinese economy has been transitioning from a planned economy to a more market-oriented economy. The PRC government has implemented various measures including recent interest rate increases, to encourage economic growth and guide the allocation of resources. The PRC government exercises control over Chinese economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Some of these measures benefit the overall Chinese economy, but may also have a negative effect on our business. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. If China suffers an economic downturn affecting our customers and we are unable to develop offshore customers in other regions, then our business, prospects, financial condition and results of operations may be materially and adversely affected.

We rely on dividends paid by our subsidiaries for our cash needs.

We are a holding company incorporated in the Cayman Islands and conduct substantially all of our operations through our PRC subsidiaries. We will rely on dividends paid by our PRC subsidiaries for our future cash needs that cannot be provided by equity issuance or borrowings outside of the PRC, including the funds necessary to pay dividends and other cash distributions to our shareholders, to service any debt we may incur and to pay our operating expenses in excess of such amounts will depend on dividends from our PRC subsidiaries. Regulations in the PRC currently permit payment of dividends by PRC subsidiaries only out of accumulated profits as determined in accordance with PRC GAAP. According to applicable PRC laws and regulations, each of our PRC subsidiaries is required to maintain a general reserve fund and a staff welfare and bonus fund. Each of our PRC subsidiaries is also required to set aside at least 10.0% of its after-tax profit based on PRC GAAP each year for its general reserves until the amount of such reserves reach 50% of its registered capital. These reserves are not distributable as dividends. Contributions to such reserves are made from each of our PRC subsidiaries' net profit after taxation. In addition, if any of our PRC subsidiaries incurs debt in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. As a result, each of our PRC subsidiaries is restricted in its ability to transfer the net profit to us in the form of dividends. If our PRC subsidiaries cannot pay dividends due to government policy and regulations, or because they cannot generate the requisite cash flow, we may not be able to pay dividends, service our debt or pay our expenses, which may have a material adverse effect on our business, prospects, financial condition and results of operations.

Recent regulations relating to offshore investment activities by PRC residents may subject us to fines or sanctions.

In October 2005, SAFE promulgated Circular No. 75. Circular No. 75 states that if PRC residents use assets or equity interests in their PRC entities as capital contributions to establish offshore companies or inject assets or equity interests of their PRC entities into offshore companies to raise capital overseas, they must register with SAFE or its authorized organization with respect to their overseas investments in offshore companies. They must also file amendments to their registrations if their offshore companies experience material events involving capital variation, such as changes in share capital, share transfers, mergers and acquisitions, spin-off transactions, long-term equity or debt investments or uses of assets in China to guarantee offshore obligations. Under Circular No. 75, failure to comply with the registration procedures set forth in such regulation may result in restrictions being imposed on the foreign exchange activities of the relevant PRC entity, including the payment of dividends and other distributions to its offshore parent, as well as restrictions on the capital inflow from the offshore entity to the PRC entity. In May 2007, SAFE issued relevant guidance to its local

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counterparts with respect to the operational process for SAFE registration. This guidance provides more specific and stringent supervision on the registration under Circular No.75 and imposes obligations on any onshore subsidiaries of a SPV to coordinate with and supervise the PRC resident beneficial owners of its offshore parent entity to complete the SAFE registration.

We do not have control over our Shareholders and cannot assure you that all of our PRC resident beneficial owners will comply with Circular No.75. In connection with Chuanmei Glauber Salt's SAFE registration, Mr. Suolang Duoqi did not disclose his ownership of Top Promise and therefore his indirect ownership of 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 Duoqi 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 Mr. Suolang Duoqi's registration is currently effective. See "Business — Government Regulations — Circular No. 75". Any future failure by any of our Shareholders who is a PRC resident, or controlled by a PRC resident, to comply with relevant requirements under Circular No. 75 may subject our PRC subsidiaries to fines or sanctions imposed by the PRC government, including restrictions on our subsidiaries' ability to pay dividends or make distributions to us and our ability to increase our investment in or to provide loans to our subsidiaries.

Because it is uncertain how SAFE will interpret or implement its circular, we cannot predict how this circular and other SAFE circulars will affect our business operations or ability to implement our strategy. For example, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign currency-denominated borrowings, which may adversely affect our business, prospects, financial condition and results of operations.

PRC regulation of direct investment and loans by offshore holding companies to PRC entities may delay or limit us from using the proceeds of the Global Offering to make additional capital contributions or loans to our PRC subsidiaries.

Any capital contributions or loans that we, as an offshore entity, make to our PRC subsidiaries, including from the proceeds of the Global Offering, are subject to PRC regulations. For example, loans to our PRC subsidiaries cannot exceed the difference between the total amount of investment each of our PRC subsidiaries is approved to make under relevant PRC laws and the registered capital of each of our PRC subsidiaries, and must be registered with the local branch of the SAFE as a procedural matter. In addition, our capital contributions to each of our PRC subsidiaries must be approved by the MOFCOM or its local counterpart. We cannot assure you that we will be able to obtain these approvals on a timely basis, or at all. If we fail to obtain such approvals, our ability to make equity contributions or provide loans to our PRC subsidiaries or to fund their operations may be negatively affected, which may adversely affect their liquidity and ability to fund their working capital and expansion projects and meet their obligations and commitments.

A new PRC tax law increases the enterprise income tax rate applicable to our subsidiaries in China.

On March 16, 2007, the National People's Congress approved the draft bill of the PRC EIT Law, which became effective on January 1, 2008. The PRC EIT Law sets a uniform tax rate of 25% for all enterprises (including FIEs) and revokes the tax exemptions, reductions and preferential treatments applicable to FIEs. 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 treatments in accordance with the then prevailing tax laws and administrative regulations. These enterprises may continue to enjoy tax preferential treatments after the implementation of the PRC EIT Law until their preferential treatments expire and will become subject to the new, unified tax rate over a five-year period starting from January 1, 2008. The preferential treatment period of enterprises which have not enjoyed any preferential treatment because they failed to record a profit, however, will be deemed to start from the implementation of the PRC EIT Law.

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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 enterprise income tax at the rate of 25% of its global income. On December 6, 2007, the Implementation Rules for the PRC EIT Law were promulgated by the PRC State Council. The Implementation Rules for the PRC 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. However it is still unclear whether the PRC tax authorities will subsequently determine that, notwithstanding our status as the Cayman Islands holding company of our business, we should be classified as a resident enterprise, in which case our global income will be subject to PRC income tax at a tax rate of 25%.

Furthermore, the exemption from the 20% withholding tax on dividends distributed by FIEs to their foreign investors under the former tax laws is no longer available. Under the PRC EIT Law and the Implementation Rules for the PRC EIT Law, PRC income tax at the rate of 10% is applicable to dividends paid by Chinese enterprises to “non-resident enterprises” (enterprises that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business) subject to the application of any relevant income tax treaty that the PRC has entered into. If we or our non-PRC subsidiaries are considered “non-resident enterprises”, any dividend that we or any such non-PRC subsidiary receives from our PRC subsidiaries may be subject to PRC taxation at the 10% rate (or lower treaty rate). The Implementation Rules for the PRC EIT Law have been promulgated only recently and their implementation has yet to be further clarified in practice. It is uncertain whether we will be able to benefit from tax holdings if we are profitable.

Notwithstanding the above, Chuanmei Mirabilite will continue to enjoy a preferential income tax rate of 12.5% for foreign-invested enterprises of a production nature until 2009. However, Chuanmei Glauber Salt has been subject to the regular enterprise income tax rate of 25% which started in 2008.

Further, in order to benefit from this preferential tax rate, we must satisfy certain requirements under PRC laws. Our main business must qualify as being within the encouraged category in the general “Guidance Catalogue for Foreign Investment in Industry” or in the region-specific “Catalogue of Priority Industries for Foreign Investment in the Central-Western Region” and the revenue derived from such business should account for more than 70% of our total revenues. There is no assurance that we can continue to satisfy the above requirements and benefit from the preferential tax treatment in the future. Any increase in our enterprise income tax rate in the future could have a material adverse effect on our financial condition and results of operations.

Our effective tax rates for the three years ended December 31, 2008 were 3.2%, 22.5% and 28.0%, respectively.

Dividends payable by us to our foreign investors and gains on the sale of our Shares may become subject to withholding taxes under PRC tax laws.

As advised by our PRC legal counsel, Grandall Legal Group (Shanghai), under the PRC EIT Law and the Implementation Rules for the PRC EIT Law, PRC income tax at the rate of 10% (or lower treaty rate) is applicable to dividends payable to investors that are “non-resident enterprises” to the extent such dividends have their source within the PRC. Similarly, any gain realized on the transfer of shares by such investors is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. If we are considered a PRC “resident enterprise”, it is unclear whether the dividends we pay with respect to our Shares, or the gain you may realize from the transfer of our Shares, would be treated as income derived from sources within the PRC and be subject to PRC taxation. If we are required under the PRC EIT Law to withhold PRC income tax on our dividends payable to our foreign Shareholders, or if you are required to pay PRC income tax on the transfer of your Shares, the value of your investment in our Shares may be materially and adversely affected.

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We may not be able to obtain necessary approvals for capital investment from the relevant governmental authority.

We must obtain PRC government approvals for all of our significant capital investment projects. There can be no assurance that all our projects will be approved or there will not be a delay in securing such approvals. Because the commercial viability of our future development plans for our thenardite business depends largely on these projects, our business, prospects, financial condition and results of operations may be materially adversely affected if any of these projects is not approved, or is not approved on a timely basis.

The interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties in China.

We conduct all of our mining and production operations through our subsidiaries established in China. Our subsidiaries are generally subject to laws and regulations applicable to foreign investment in China. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties, and may not be as consistent or predictable as in other more developed jurisdictions. Depending on the government agency or how an application or case is presented to such agency, we may receive less favorable interpretations of laws and regulations than our competitors, or we may receive interpretations that are inconsistent with our interpretations. We cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, the preemption of local regulations by national laws, or the overturn of local government's decisions by itself, provincial or national governments. These uncertainties may limit legal protections available to us. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention and have a material adverse effect on our business, prospects, financial condition and results of operations.

We have received a number of confirmation letters from governmental agencies relating to our historic and ongoing non-compliance with certain PRC laws and regulations. The uncertainties set forth above apply equally to these confirmation letters. See "Business".

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions in China based on United States or other foreign laws against us, our management or the experts named in the prospectus.

We conduct all of our operations in China and significantly all of our assets are located in China. In addition, all of our Directors and executive officers reside within China or Hong Kong. As a result, it may not be possible to effect service of process within the United States or elsewhere outside China upon some of our directors and senior executive officers, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws. Moreover, our PRC legal counsel, Grandall Legal Group (Shanghai), has advised us that the PRC does not have treaties with the United States or many other countries providing for the reciprocal recognition and enforcement of judgment of courts. Therefore, it may be difficult for you to enforce against us in the PRC any judgments obtained from non-PRC courts.

We are vulnerable to fluctuations in the value of the Renminbi.

Most of our sales are denominated in Renminbi with the remainder in U.S. dollars and Euros. Fluctuations in exchange rates, particularly among the U.S. dollar, Renminbi and the Euro, may affect our net

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profit margins and may result in fluctuations in foreign exchange and operating gains and losses. We have not used any other forward contracts, currency options or borrowings to hedge our exposure to foreign currency exchange risk. We cannot predict the impact of future exchange rate fluctuations on our results of operations and may incur net foreign currency losses in the future.

Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, had been based on rates set by the PBOC. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy has resulted in an approximately 17.6% appreciation of Renminbi against the U.S. dollar between July 21, 2005 and April 30, 2009. While the international reaction to the Renminbi revaluation has generally been positive, there remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which may result in a further and more significant appreciation of the Renminbi against the U.S. dollar. As most of our costs and expenses is denominated in U.S. dollar, the revaluation from July 2005 has and may further increase our costs in U.S. dollar terms. For example, to the extent that we need to convert U.S. dollars we receive from the Global Offering into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we receive from the conversion. Conversely, if we decide to convert our Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount available to us.

In addition, an appreciation in the value of the Renminbi against foreign currencies may make our products more expensive for our international customers as well as reduce the competitiveness of our PRC customers in the international market, thus potentially leading to a reduction in our sales and profitability.

Governmental control over currency conversion may affect the value of your investment and limit our ability to utilize our cash effectively.

Substantially all of our revenue is denominated in Renminbi. The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from SAFE provided that we satisfy certain procedural requirements. However, approval from SAFE or its local counterpart is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions.

Under our current corporate structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders.

In addition, since a significant amount of our future cash flow from operations will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to purchase goods and services outside of the PRC or otherwise fund our business activities that are conducted in foreign currencies. This could affect the ability of our subsidiaries in China to obtain foreign exchange through debt or equity financing, including by means of loans or capital contributions from us.

RISK FACTORS

The outbreak of any severe communicable disease in the PRC or elsewhere may affect economic conditions.

The outbreak of any severe communicable disease in the PRC or elsewhere could have a material adverse effect on the overall business sentiment and environment in the PRC. This situation in turn may have a material adverse effect on domestic consumption and, possibly, the overall GDP growth of the PRC. As substantially all of our revenue is currently derived from our PRC operations, any contraction or slowdown in the growth of domestic consumption or slowdown in the GDP growth of the PRC may materially and adversely affect our business, prospects, financial condition and results of operations. In addition, if our employees are affected by any severe communicable disease, we may be required to close our facilities or institute other measures to prevent the spread of the disease, which may materially and adversely affect or disrupt our production. The spread of any severe communicable disease in the PRC may also affect the operations of our customers and suppliers, which may in turn have a material adverse effect on our business and profitability.

The recent outbreak of Influenza A (H1N1), also widely known as “swine influenza,” has caused deaths worldwide. Countries and territories including Hong Kong have officially reported cases of Influenza A (H1N1) infection. The increasing number of Influenza A (H1N1) infected cases in certain Asian countries and territories could indicate a possible full-blown pandemic, which would in turn undermine human lives and the local and cross-border business activities and threaten the prospects of economic recovery in those areas. It is unclear whether the epidemic will become more aggressive or will wane in the near future. Any prolonged outbreak of Influenza A (H1N1) or other severe communicable disease in the PRC or elsewhere could have a material adverse effect on our business, prospects, financial condition or result of operations.

We may be subject to fines and penalties under the PRC Labor Contract Law and our labor costs may increase.

The Standing Committee of the National People’s Congress adopted the PRC Labor Contract Law on June 29, 2007 which became effective on January 1, 2008. The PRC Labor Contract Law imposes requirements relating to, among others, the types of contracts to be executed between employer and employee, and establishes time limits for probation periods and for how long and how many times an employee can be placed on a fixed-term employment contract. It also requires that social insurance be paid on behalf of employees, otherwise employees are entitled to unilaterally terminate the labor contract.

As a result of the new law and regulations, our labor costs may increase. If labor costs increase in China, our production costs will increase and we may not be able to pass these increases on to our customers due to competitive pricing pressures. We cannot assure you that any disputes, work stoppages or strikes will not arise in the future. Increases in our labor costs and future disputes with our employees could adversely affect our business, financial condition or results of operations.

Risks Relating to the Global Offering and Our Shares

There has been no prior public market for our Shares, and the liquidity and market price of our Shares may be volatile.

Prior to the listing of our Shares on the Stock Exchange, there has been no public market for our Shares. The Offer Price for our Shares will be the result of negotiations between the Joint Global Coordinators (on behalf of the Underwriters) and us, and may differ from the market prices for our Shares after Listing. We have applied to the Stock Exchange for the listing of, and permission to deal in, our Shares. However, there can be no assurance that the listing of our Shares on the Stock Exchange will result in the development of an active and liquid public trading market for our Shares. The market price, liquidity and trading volume of our Shares may be volatile. Factors that may affect the volume and price at which our Shares will be traded include, among other

RISK FACTORS

things, variations in our revenue, earnings, cash flows, announcements of new investments and changes in laws and regulations in the PRC. We can give no assurance that these developments will not occur in the future. In addition, shares of other companies listed on the Stock Exchange with significant operations and assets in the PRC have experienced price volatility in the past, and it is possible that our Shares may be subject to changes in price not directly related to our performance.

Purchasers of our Shares in the Global Offering will experience immediate dilution and may experience further dilution if we issue additional equity interests in the future.

The Offer Price of our Shares is higher than the net tangible assets book value per Share immediately prior to the Global Offering. Therefore, purchasers of our Shares in the Global Offering will experience an immediate dilution in the pro forma consolidated net tangible asset book value of HK\$0.66 per Share based on the maximum offer price of HK\$2.56 per Share.

In order to expand our business, we may consider issuing additional equity interests in the future. Purchasers of our Shares may experience further dilution in the net tangible asset book value per Share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset book value per Share.

You may face difficulties in protecting your interests because we are incorporated under Cayman Islands law, which law may provide less protection to minority shareholders than the laws of Hong Kong and other jurisdictions.

Our corporate affairs are governed by our Memorandum and Articles and by Cayman Companies Law and common law of the Cayman Islands. The law of the Cayman Islands relating to the protection of the interests of minority shareholders differs in some respects from those established under statutes and under judicial precedents in other jurisdictions. As a result, remedies available to the minority Shareholders of our Company may be different from those they would have enjoyed under the laws in other jurisdictions. See “Appendix VI — Summary of the Constitution of our Company and Cayman Islands Companies Law”.

Future sales of substantial amounts of our Shares in the public market could adversely affect the prevailing market price of our Shares.

The Shares held by certain Shareholders are subject to certain lock-up periods after the date on which trading in our Shares commences on the Stock Exchange, the details of which are set out in the section headed “Underwriting” in this prospectus. We cannot assure you that, after such restrictions expire, our Shareholders will not dispose of any Shares. Sales of substantial amounts of our Shares in the public market, or the perception that these sales may occur, may materially and adversely affect the prevailing market price of our Shares.

Our ability to raise capital in the future may be limited, and our failure to raise capital when needed could prevent us from executing our growth strategy successfully.

If our capital resources are insufficient to satisfy our liquidity requirements, we may seek to sell additional equity securities or debt securities or obtain debt financing. The sale of additional equity securities or convertible debt securities could result in additional dilution to our Shareholders. Additional debt would result in increased expenses and could result in covenants that would restrict our operations.

Certain facts and statistics contained in this prospectus have come from official government sources or other industry publications, the reliability of which cannot be assumed or assured.

Certain facts and statistics in this prospectus related to the PRC, its economy and the industries in which we operate are derived directly or indirectly from official government sources generally believed to be reliable.

RISK FACTORS

While we have taken reasonable care to reproduce such information, we cannot guarantee the quality and reliability of such source material. These facts and statistics have not been independently verified by us, the Joint Sponsors, the Underwriters or any of our or their respective affiliates or advisors or any other parties involved in the Global Offering and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC and may not be complete or up-to-date. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the facts and statistics in this prospectus may be inaccurate and the statistics may not be comparable to statistics produced for other economies. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree or accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on all such facts and statistics.

The options under the Pre-IPO Share Option Scheme and the Share Option Scheme may have a negative impact on our share value and profitability.

We have conditionally adopted the Pre-IPO Share Option Scheme on April 30, 2008, under which we have granted options to certain Directors, senior managerial staff and employees of our Company. The exercise of the options would entitle these persons to purchase an aggregate of 76,000,000 Shares, representing approximately 3.95% of the issued share capital of our Company immediately before completion of the Global Offering. See “Appendix VII — Statutory and General Information — Option Schemes — Pre-IPO Share Option Scheme”. We have also adopted the Share Option Scheme on May 26, 2009. No options have been granted thereunder as at the Latest Practicable Date. See “Appendix VII — Statutory and General Information — Option Schemes — Share Option Scheme”.

Any exercise of the Pre-IPO Share Options or options to be granted under the Share Option Scheme in the future and issuance of Shares thereunder would result in the reduction in the percentage ownership of the Shareholders and may result in a dilution in the earnings per Share and net assets value per Share, as a result of the increase in the number of Shares outstanding after the issuance. Also, pursuant to IFRS, the costs of the Pre-IPO Share Options granted and the options to be granted to employees under the Share Option Scheme will be charged to our consolidated income statement over the vesting period by reference to the fair value at the date at which the Pre-IPO Share Options or the options under the Share Option Scheme are granted. As a result, our Company’s profitability may be adversely affected.

You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles or disseminated through other media relating to us and/or the Global Offering, which may not be consistent with the information contained in this prospectus.

Prior to the publication of this prospectus, there has been press and media coverage on us and the Global Offering such as in the South China Morning Post dated April 27, 2009 and May 20, 2009, Hong Kong Economic Journal and Ming Pao Daily News dated May 20, 2009 and Sing Pao and Hong Kong Daily News dated May 27, 2009, the disclosure of which has not been authorized by us but included certain financial information, projections, valuations and other information about us. We wish to emphasize to potential investors that we do not accept any responsibility for any such unauthorized information, which was not sourced from or approved by us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of such unauthorized information. To the extent that any of the unauthorized information is inconsistent with, or conflicts with, the information contained in this prospectus, we disclaim it. Accordingly, prospective investors are cautioned to make their investment decisions based solely on the information contained in this prospectus and should not rely on any of the abovementioned unauthorized information or any other information that has been made public without our authorization.

WAIVER FROM COMPLIANCE WITH THE LISTING RULES AND THE COMPANIES ORDINANCE

In preparation for the Listing, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and the Companies Ordinance:

Management Presence in Hong Kong

Pursuant to Rule 8.12 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Since our principal business operations are primarily located in the PRC, the senior management members of our Group are, and are expected to continue to be, based in the PRC. Therefore, for the purpose of our Group's operations, our Directors consider that it is not necessary for our Group to appoint an executive Director who ordinarily resides in Hong Kong. At present, the Board consists of nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors. The three executive Directors are Mr. Zhang Daming, Ms. Deng Xianxue and Mr. Li Xudong. All three executive Directors ordinarily reside in the PRC. We have applied to the Stock Exchange for a waiver from strict compliance with the requirement under Rule 8.12.

We have received from the Stock Exchange a waiver from compliance with Rule 8.12 of the Listing Rules subject to the following conditions:

- (a) We have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules who will act as our principal communication channel with the Stock Exchange and will ensure that they comply with the Listing Rules at all times. The two authorized representatives to be appointed are Mr. Zhang Songyi, one of our non-executive Directors, and Mr. Zhu Ben Yu, our chief financial officer and company secretary. Each of the authorized representatives will be available to meet with the Stock Exchange in Hong Kong upon short notice and will be readily contactable by telephone, facsimile or e-mail. Each of the two authorized representatives has been duly authorized to communicate on behalf of our Company with the Stock Exchange. Each of the authorized representatives has appointed our Company's accountant, Ms. Chui Yim Ling (徐艷玲) as his alternate authorized representative as an additional communication channel between our Company and the Stock Exchange when the authorized representatives are outside Hong Kong;
- (b) We have appointed Guotai Junan Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules who will also act as our Company's communication channel with the Stock Exchange when the authorized representatives are not available;
- (c) Both the authorized representatives have means to contact all members of the Board (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the members of the Board for any matters. We will implement a policy whereby (i) each Director will provide his or her mobile phone number, residential phone number, facsimile number and e-mail address to the authorized representatives; (ii) each executive Director will provide valid phone numbers or means of communication to the authorized representatives when he or she is traveling; and (iii) each executive Director will provide his or her mobile phone number, residential phone number, office phone number, facsimile number and e-mail address to the Stock Exchange;
- (d) Mr. Zhu Ben Yu, the chief financial officer and the company secretary of our Company, is ordinarily resident in Hong Kong. He will (i) provide his office phone number, mobile phone number, facsimile number and e-mail address to the Stock Exchange; and (ii) have the office phone numbers, mobile phone numbers, residential phone numbers, facsimile numbers and e-mail addresses of all the Directors and the authorized representatives;

WAIVER FROM COMPLIANCE WITH THE LISTING RULES AND THE COMPANIES ORDINANCE

- (e) Meetings between the Stock Exchange and the Directors could be arranged through the authorized representatives or our compliance adviser, or directly with the Directors within a reasonable time frame. We will inform the Stock Exchange promptly in respect of any change in our authorized representatives and compliance adviser; and
- (f) All of the executive Directors who are not ordinarily resident in Hong Kong have confirmed that they possess valid travel documents to visit Hong Kong and will be able to meet with the relevant members of the Stock Exchange within a reasonable period of time, when required.

Pre-IPO Share Option Scheme

We have applied to (i) the SFC for a certificate of exemption under section 342A of the Companies Ordinance from strict compliance with the disclosure requirements of paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance, and (ii) the Stock Exchange for a waiver from full compliance with the disclosure requirements of Rule 17.02(1)(b) and paragraph 27 of Appendix 1A of the Listing Rules, in respect of the names and addresses of the employees of our Group to whom options have been granted under the Pre-IPO Share Option Scheme on the ground that full compliance with these requirements would be unduly burdensome for the following reasons:

- (a) The grant and exercise in full of the options granted under the Pre-IPO Share Option Scheme will not cause any material adverse change on our financial position.
- (b) Under the Pre-IPO Share Option Scheme, there are, in total, 198 grantees comprised of 3 Directors and, 7 of our senior managerial staff and 188 of our employees. Full disclosure of the required particulars of the entitlements of both our senior managerial staff and employees under the Pre-IPO Share Option Scheme on an individual basis would be costly and unduly burdensome for us to comply with.
- (c) We consider that disclosure of the information in the section headed “Appendix VII — Statutory and General Information — Outstanding Options Granted under the Pre-IPO Share Option Scheme” already provided prospective investors with necessary and sufficient information to make an informed assessment of the potential dilutive effect and impact on earnings per share of the options granted under the Pre-IPO Share Option Scheme.

The Stock Exchange has granted the waiver on the conditions that:

- (a) the following information and particulars shall be disclosed in this prospectus:
 - (i) on an individual basis, the details of all options granted under the Pre-IPO Share Option Scheme to the Directors of our Company and its subsidiaries, members of senior management of our Group and the Connected Persons of our Group, and such details shall include all information and particulars required under Rule 17.02(1)(b) of and paragraph 27 of Part A of Appendix I to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies Ordinance;
 - (ii) on an aggregated basis, other than those grantees as referred to in paragraph (a)(i), the number of grantees and the number of Shares to be subscribed for under the options granted under the Pre-IPO Share Option Scheme, the consideration paid for the grant of the options granted under the Pre-IPO Share Option Scheme, the period during which the options granted under the Pre-IPO Share Option Scheme are exercisable, and the subscription price to be paid for the Shares upon exercise of the options granted under the Pre-IPO Share Option Scheme;

WAIVER FROM COMPLIANCE WITH THE LISTING RULES AND THE COMPANIES ORDINANCE

- (iii) the dilutive effect and impact on earnings per share upon full exercise of the option granted under the Pre-IPO Share Option Scheme;
 - (iv) the aggregate number of Shares subject to the outstanding options granted by our Company under the Pre-IPO Share Option Scheme and the percentage of our Company's issued share capital of which such number represents; and
- (b) a list of all grantees (including both the senior managerial staff and the employees of our Group) of the options granted by our Company under the Pre-IPO Share Option Scheme providing information required under Rule 17.02(1)(b) and paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I to the Third Schedule to the Companies Ordinance will be available for public inspection in accordance with the paragraph headed "B. Documents Available for Inspection" in Appendix IX to this prospectus.

The SFC has granted the exemption on the following conditions:

- (a) the following information and particulars shall be disclosed in this prospectus:
- (i) on an individual basis, the details of all options granted under the Pre-IPO Share Option Scheme to the Directors of our Company and its subsidiaries, members of senior management of our Group, and such details shall include all information and particulars required under paragraph 10 of the Part I of the Third Schedule to the Companies Ordinance;
 - (ii) on an aggregated basis, other than those grantees as referred to in paragraph (a)(i), the number of grantees and the number of Shares to be subscribed for under the options granted under the Pre-IPO Share Option Scheme, the consideration paid for the grant of the options granted under the Pre-IPO Share Option Scheme, the period during which the options granted under the Pre-IPO Share Option Scheme are exercisable, and the subscription price to be paid for the Shares upon exercise of the options granted under the Pre-IPO Share Option Scheme; and
- (b) a list of all grantees (including both the senior managerial staff and the employees of our Group) of the options granted by our Company under the Pre-IPO Share Option Scheme providing information required under paragraph 10 of Part I to the Third Schedule to the Companies Ordinance will be available for public inspection in accordance with the paragraph headed "B. Documents Available for Inspection" in Appendix IX to this prospectus.

Further details of the Pre-IPO Share Option Scheme and the waiver are set out in "Appendix VII — Statutory and General Information — Pre-IPO Share Option Scheme".

INFORMATION ABOUT PROSPECTUS AND THE GLOBAL OFFERING

Directors' Responsibility for the Contents of this Prospectus

This prospectus includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purposes of giving information to the public with regard to us. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this prospectus misleading.

Information on the Global Offering

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Joint Sponsors, the Joint Global Coordinators, the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus, and the procedures for applying for Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and in the relevant Application Forms.

Offer Shares are Fully Underwritten

The Global Offering is jointly sponsored by Credit Suisse and Somerley and lead managed by Credit Suisse, BOCI, Macquarie and BOCOM. The Offer Shares are fully underwritten by the Underwriters pursuant to the Underwriting Agreements. For further information relating to the underwriting arrangements, see the section headed "Underwriting" in this prospectus.

Professional Tax Advice Recommended

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding and dealing in the Shares. It is emphasized that none of our Company, the Underwriters, the Joint Sponsors, the Joint Global Coordinators, any of their respective directors, agents or advisors or any other persons or parties involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of Shares resulting from the subscription, purchase, holding or disposal of Shares.

Exchange Rate Conversion

For the purpose of illustration only and unless otherwise specified in this prospectus, amounts denominated in RMB have been translated into Hong Kong dollar at the PBOC rate of HK\$1.00 = RMB0.8813, being the PBOC rate prevailing on May 27, 2009, and amounts denominated in U.S. dollar have been translated into Hong Kong dollar at the rate of US\$1 = HK\$7.7516, being the noon buying rate in the City of New York for cable transfer as certified for customs purposes by the Federal Reserve Bank of New York on May 22, 2009. No representation is made that the HK dollar amounts could have been, or could be, converted into U.S. dollar or RMB at such rates or at any other rates on such date or on any other dates.

INFORMATION ABOUT PROSPECTUS AND THE GLOBAL OFFERING

Rounding

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

Restrictions on the Use of this Prospectus

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus must not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in the PRC.

Application for Listing on the Stock Exchange

We have applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein, including any shares which may be issued upon the exercise of share options granted pursuant to the Pre-IPO Share Option Scheme and the Share Option Scheme. Our PRC legal adviser, Grandall Legal Group (Shanghai), has advised us that the New M&A Rules which became effective on September 8, 2006 are not applicable to the Listing and the Global Offering 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.

No part of our share capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

Hong Kong Share Registrar

All Shares issued or sold pursuant to the Global Offering are expected to be registered on our branch register of members to be maintained by our Hong Kong Share Registrar in Hong Kong. Our principal register of members will be maintained by our principal share registrar in the Cayman Islands.

Stamp Duty

No stamp duty is payable by applicants in the Global Offering. All Sale Shares and Over-allotment Shares, if any, sold by the Selling Shareholders in the Global Offering may be subject to stamp duty at the rate of 0.2% of the Offer Price, which may be paid by the Selling Shareholders.

Dealings in the Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

Procedure for application for Hong Kong Offer Shares

The procedure for applying for Hong Kong Offer Shares is set out in the section headed "How to apply for Hong Kong Offer Shares" in this prospectus and on the relevant Application Forms.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Directors

<u>Name</u>	<u>Residential Address</u>	<u>Nationality</u>
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Chairman and Non-executive Director

Suo Lang Duo Ji (索郎多吉)	Room 4402, 44/F Convention Plaza Apartments 1 Harbour Road Wanchai Hong Kong	Chinese
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Executive Directors

Zhang Daming (張大明)	# 3-11 Sanlizhaiyuan, 6 Zhonghe Avenue Chengdu PRC	Chinese
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Deng Xianxue (鄧憲雪)	# 6-1-7, 8 Zhixin Road Wuhou District Chengdu PRC	Chinese
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Li Xudong (李旭東)	# 25-4-5, 1 Binhe Road Fuhe Yinyue Garden Huayang District Shuang Liu County Chengdu PRC	Chinese
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Non-executive Directors

Zhang Songyi (張頌義)	8A Magazine Court 5-7 Magazine Gap Road Mid-levels Hong Kong	Chinese
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Wang Chun Lin (王春林)	Room 1504, 15/F Convention Plaza Apartments 1 Harbour Road Wanchai Hong Kong	Chinese
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DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

<u>Name</u>	<u>Residential Address</u>	<u>Nationality</u>
<i>Independent Non-executive Directors</i>		
Patrick Logan Keen	H-34, 18 Tso Wo Road Sai Kung New Territories Hong Kong	American
Koh Tiong Lu John (許忠如)	76 Cairnhill Road Singapore 229679	Singaporean
Wong Chun Keung (王振強)	Flat B, G/F., Block 4 7 Stanley Village Road Stanley Hong Kong	Chinese

Parties Involved in the Global Offering

Joint Global Coordinators and Joint Bookrunners	Credit Suisse (Hong Kong) Limited 45/F, Two Exchange Square 8 Connaught Place Central Hong Kong
	BOCI Asia Limited 26/F, Bank of China Tower 1 Garden Road Central Hong Kong
	Macquarie Capital Securities Limited Level 18, One International Finance Centre 1 Harbour View Street Central Hong Kong
Joint Lead Managers	Credit Suisse (Hong Kong) Limited 45/F, Two Exchange Square 8 Connaught Place Central Hong Kong
	BOCI Asia Limited 26/F, Bank of China Tower 1 Garden Road Central Hong Kong
	Macquarie Capital Securities Limited Level 18, One International Finance Centre 1 Harbour View Street Central Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors

BOCOM International Securities Limited
9th Floor, Man Yee Building
68 Des Voeux Road Central
Hong Kong

Credit Suisse (Hong Kong) Limited
45/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

Somerley Limited
10/F, The Hong Kong Club Building
3A Chater Road
Central
Hong Kong

Reporting Accountants

Grant Thornton
Certified Public Accountants
13/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

Legal Advisers to our Company

as to Hong Kong law:
Li & Partners
22/F, World Wide House
Central
Hong Kong

as to US law:
Milbank, Tweed, Hadley & McCloy LLP
3007 Alexandra House
18 Chater Road
Central
Hong Kong

as to PRC law:
Grandall Legal Group (Shanghai)
31/F, Nanzheng Building
580 Nanjing West Road Shanghai 200041
PRC

as to Cayman Islands law:
Appleby
8th Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal Advisers to the Joint Sponsors and Underwriters

as to Hong Kong law:
Mallesons Stephen Jaques
37/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

as to US law:
Shearman & Sterling LLP
12/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

as to PRC law:
Jun He Law Offices
20/F, China Resources Building
8 Jianguomenbei Avenue
Beijing 100005
PRC

Property Valuer

Jones Lang LaSalle Sallmanns Limited
17/F Dorset House
Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

Market Research Consultant

Behre Dolbear & Company (USA), Inc.
999 Eighteenth Street, Suite 1500
Denver, Colorado 80202
United States

Mining Consultant

John T. Boyd Company
1500 Corporate Drive, Suite 100
Canonsburg, PA 15317
United States

Receiving Banker

Bank of China (Hong Kong) Limited
1 Garden Road
Central
Hong Kong

CORPORATE INFORMATION

Registered Office	Appleby Trust (Cayman) Limited Clifton House 75 Fort Street P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands
Headquarters and Principal Place of Business in the PRC	Block 9 Hi-Tech Incubation Park Tianfu Avenue, Chengdu Sichuan Province, PRC 610041
Place of Business in Hong Kong registered under Part XI of the Hong Kong Companies Ordinance	Suite 2801 Shui On Centre 6-8 Harbour Road Wanchai Hong Kong
Website Address	www.lumena.hk <i>(the website address and its contents do not form part of this prospectus)</i>
Company Secretary	Mr. Zhu Ben Yu (CPA and FCCA)
Authorized Representatives	Mr. Zhang Songyi 8A Magazine Court 5-7 Magazine Gap Road Mid-levels Hong Kong Mr. Zhu Ben Yu Flat 22G Block 10 Villa Esplanada Tsing Yi New Territories Hong Kong
Alternate Authorized Representative	Ms. Chui Yim Ling Unit 2815, 28/F Yee Man House Ho Man Tin Estate Kowloon Hong Kong
Compliance Adviser	Guotai Junan Capital Limited 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong

CORPORATE INFORMATION

Members of the Audit Committee	Mr. Patrick Logan Keen (Chairman) Mr. Koh Tiong Lu John Mr. Wong Chun Keung
Members of the Remuneration Committee	Mr. Wong Chun Keung (Chairman) Mr. Patrick Logan Keen Mr. Suo Lang Duo Ji
Members of the Nomination Committee	Mr. Koh Tiong Lu John (Chairman) Mr. Wong Chun Keung Mr. Wang Chun Lin
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INDUSTRY OVERVIEW

This section contains certain information and statistics concerning the global and PRC thenardite industry. We have derived the information and data partly from the Behre Dolbear Report and the Independent Technical Review Report. While our Company, the Joint Sponsors, the Underwriters and other parties involved in the Global Offering have taken reasonable care in the extraction, compilation and reproduction of information and statistics from these sources, none of our Company, the Joint Sponsors, the Underwriters or any other parties involved in the Global Offering has independently verified the information and statistics derived directly or indirectly from official government sources or made any representation as to their accuracy. Such information and statistics may be out-of-date and may not be consistent with other information and statistics compiled within or outside China. You should not place undue reliance on such information and statistics contained in this section.

ABOUT BEHRE DOLBEAR

We commissioned Behre Dolbear, an Independent Third Party, to provide a market research report for the thenardite industry. Behre Dolbear is a mineral industry consulting firm. Since 1911, Behre Dolbear has specialized in studies for commercial and multi-national financial institutions, mining companies, governments and governmental agencies, legal firms, and other parties with interests in the mineral industry. Behre Dolbear covers technical, operational and financial issues in a broad range of commodities including base and precious metals, coal, industrial minerals, diamonds and gemstones, ferrous metals, and construction materials. In conducting its market research, Behre Dolbear collected and reviewed publicly available data such as government-derived information, annual reports of companies in the thenardite industry, reference books, and articles published in industrial minerals and chemical journals. Behre Dolbear has exercised due care in collecting and reviewing the information so collected and believes that the basic assumptions are factual and correct and the interpretations are reasonable. Behre Dolbear has independently analyzed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. Future thenardite consumption and demand projected by Behre Dolbear in this section are based on recent historic information while taking into consideration any substantial economic, market and/or technical changes which might affect the thenardite industry. Information and statistics in this section are sourced from the Behre Dolbear Report unless otherwise expressly specified.

The total fee for the Behre Dolbear Report was US\$84,250.

INTRODUCTION TO THENARDITE

Thenardite (Na_2SO_4) is an edible, water-soluble, white, crystalline, hygroscopic mineral powder. Thenardite is an important raw material used in chemical and light industries and is used extensively in the manufacture of powder detergents, textiles, glass, kraft pulp, chemical feedstock and pharmaceutical products.

Thenardite is classified by its purity, color, density, pH content, neutrality and inclusion of other minerals. It can be processed into different forms to cater for a variety of end-use requirements and applications.

Thenardite can be produced from either natural minerals (mineral production) or as a chemical by-product (synthetic production). Non-marine evaporates are used to produce thenardite. Glauberite ($\text{Na}_2\text{SO}_4 \cdot \text{CaSO}_4$) is one of the more abundant non-marine evaporates in China. Glauberite appears in solid form in arid regions as a salty precipitate. Glauberite is highly soluble and when mixed with water transforms into mirabilite ($\text{Na}_2\text{SO}_4 \cdot 10\text{H}_2\text{O}$). Mirabilite is an aqueous mixture that is then dehydrated and processed into thenardite, which is the term used for the solid Na_2SO_4 product with above 98% sodium sulfate purity. Natural thenardite products tend to be of higher purity than those that are produced as synthetic by-products.

INDUSTRY OVERVIEW

GLOBAL THENARDITE INDUSTRY

Glauberite Reserves

Global glauberite reserves are estimated to be approximately 35.3 billion tonnes and sufficient to meet demand well into the future at the present consumption rate. China, the United States, Canada, Mexico, Spain and Turkey are the countries with the largest glauberite reserves. Glauberite reserves are concentrated in these countries and other countries need to rely on imports to meet their domestic thenardite demand. The following table sets forth the top natural thenardite producing countries in the world along with their respective reserves and resource bases as of December 31, 2008:

MAJOR THENARDITE PRODUCING COUNTRIES	ANNUAL NATURAL THENARDITE OUTPUT (tpa)	ANNUAL SYNTHETIC THENARDITE OUTPUT (tpa)	RESERVES ⁽¹⁾ (tonnes)	RESOURCES ⁽¹⁾ (tonnes)
China	9.1 million	1.0 million	10,500 million	30,000 million
United States	0.3 million	0.3 million	860 million	1,400 million
Canada	0.3 million	—	<1 million	270 million
Mexico	0.6 million	—	350 million	230 million
Spain	1.0 million	<0.1 million	180 million	3,300 million
Turkey	0.3 million	—	100 million	100 million

Source: Behre Dolbear

Note:

(1) As the data collected by Behre Dolbear are from various sources including government-derived information, annual reports of companies in the thenardite industry, reference books and articles published in industrial minerals and chemical journals, the words “reserves” and “resources” used in this chart are generalizations and are not intended to be in strict conformity with specific international codes and/or categorization systems and/or usages to which such terms are customarily applied.

China is by far the biggest thenardite producer in the world and has the most extensive glauberite resource base. The reserve in China alone is approximately 10.5 billion tonnes.

Thenardite Production

Natural Thenardite

Natural thenardite is mined and produced in a variety of ways, including room-and-pillar mining, in situ leaching of thick ore beds, solution mining, solar evaporation and cooling-crystallization of lake brine, and pumping of brine from complex salt deposits. Some mining methods are more costly than others.

By-product or synthetic thenardite is produced during various manufacturing processes, including chromium chemical production, rayon spinning, hydrochloric acid production, iodine/nitrate processing, resorcinol production, ascorbic acid production, and many others. Global synthetic thenardite production capacity is estimated to be approximately 1.3 million tpa with approximately 1.0 million tpa attributable to China.

INDUSTRY OVERVIEW

The following table summarizes the major natural thenardite producers around the world along with their respective base production capacity as of December 31, 2008:

Country	Major Producers	Base Production Capacity (tonnes per annum)
China ⁽¹⁾	Nafine Group International Co., Ltd.	1,650,000
	Lumena Resources Corp.	1,600,000
	Xinli Chemical Co., Ltd.	1,400,000
Mexico	Penoles — Quimica del Rey	620,000
Spain	CRIMIDESA SA	500,000
	Minera de Santa Marta SA	240,000
	FMC Foret SA	>200,000
	Sulquisa SA	>200,000
United States	Searles Valley Minerals	>300,000
	Cooper Natural Resources	145,000
Turkey	Alkim AS	>300,000
Canada	Saskatchewan Minerals	150,000
	Millar Western (recently acquired by Zeox)	100,000

Source: Behre Dolbear

Note:

(1) China has over 12.1 million tpa of natural thenardite production capacity. The companies listed are the three largest reported thenardite producers in China.

Synthetic Thenardite

Synthetic thenardite production is dependent on the primary chemical process from which it is produced as a by-product. Synthetic thenardite availability is thus entirely dependent on the thenardite yield of the primary chemical process. Demand for the primary product varies depending on its specific market. Primary product demands are not driven by the supply and demand consideration for thenardite. If demand for a primary chemical product suddenly increases or decreases, then there would be a related change in the production of synthetic thenardite byproduct.

As thenardite is generally fungible, consumers will not differentiate between natural and synthetic thenardite unless strict chemical and physical specifications are needed. The production cost of synthetic thenardite is typically low, sometimes minimal, because it is a function of the primary chemical process.

Thenardite Demand

Global natural thenardite demand has historically been strong in Asia and certain other parts of the world and has increased at a CAGR of 7.9% between 2004 and 2007. Due to the recent global economic crisis, it is anticipated that the growth of natural thenardite demand will slow down and maintain at a CAGR of 2.5% between 2008 and 2010. Demand for natural thenardite among western countries has been stagnant or declining continuously over the past decade due to the stabilization or decline of certain thenardite consuming industries in these regions. Chinese natural thenardite demand growth is projected to increase from approximately 6.5 million tonnes in 2008 to approximately 6.8 million tonnes in 2010, representing a CAGR of 2.5%. A rebound is expected in 2010 at the earliest.

INDUSTRY OVERVIEW

The table below sets forth natural thenardite consumption volume of some areas or countries for the periods indicated:

Region	Natural Thenardite Consumption Volume for Year Ended (million tonnes)					CAGR (%)
	2004A	2005A	2006A	2007A	2008E	
China	4.7	5.3	5.6	6.0	6.5	8.3
Asia (excluding China)	2.3	2.7	3.1	3.5	3.7	12.4
Europe	1.7	1.7	1.7	1.7	1.7	0.7
United States	0.4	0.2	0.2	0.3	0.3	(8.0)
Canada	0.1	0.1	0.1	0.1	0.1	0
Mexico	0.5	0.6	0.6	0.6	0.6	4.7
Latin America (excluding Mexico)	0.3	0.3	0.3	0.4	0.4	8.0
Total	10.0	10.9	11.6	12.6	13.3	7.5

Source: Behre Dolbear

Natural thenardite demand in developed markets, such as the United States, Canada and Europe, is stagnant or declining and these markets are best served by well-established local thenardite producers. However, thenardite demand is expected to increase slightly in the next few years in Asia, South America and certain other emerging markets in the Middle East and African countries as industrial production moves to these regions. As these regions become increasingly industrialized and as their respective economies expand, thenardite demand will increase.

Thenardite products have been traditionally consumed by light and chemical industries. These traditional downstream industries will remain the main sources of demand for thenardite.

The specific demand breakdown by industry application is as follows:

Detergents

Thenardite is used in powder laundry and dishwasher detergents as a processing aid and can constitute as much as 60.0% of the powder. Powder detergents account for approximately 40.0% of the overall demand for thenardite and have traditionally been, and remain, the largest market for thenardite throughout the world. Overall, the market is saturated with detergent products and thenardite consumption by detergent industry can vary according to the formulation trends of detergent producers. Thenardite is a beneficial additive because it is very white, non-corrosive and pH neutral. For powder detergent, thenardite is the most suitable inert filler and there are no effective substitutes for thenardite. Powder detergent, however, can be substituted by liquid detergent, which uses no thenardite.

Demand for detergents in the developing countries of Asia, South America, and the Middle East is growing and is expected to remain strong as more consumers start to use washing machines. In Mexico, demand is strong as more and more people use washing machines and buy thenardite based detergents. In the mature markets of the United States, Canada and Europe, demand is expected to remain flat and possibly diminish in the short term. With the current worldwide economic downturn, growth projections have been severely curtailed. A rebound is expected in 2010 at the earliest.

Textiles

In the textile industry, thenardite is used in the dyeing process for textile fibres. Thenardite is added to textile dye baths to drive the dye from the solution onto the textile fibres. The dyeing process continues until the desired shade is obtained and the rate of dye absorption is governed by the rate of thenardite addition. Most dye

INDUSTRY OVERVIEW

processes are pH and zinc sensitive, requiring thenardite with pH ranging from 6.5 to 8.0 and with minimal amounts of zinc. Unlike competing products such as sodium chloride, thenardite does not corrode the stainless steel vessels used in the dyeing process. Since stainless steel vessels are dominant in the processing systems, this is a significant consideration for the textile industry. Most dye machine manufacturers warrant their equipment, specifying the use of sodium sulfate instead of sodium chloride. Using sodium chloride can void manufacturers' warranties. As long as manufacturers of textile producing equipment continue to use stainless steel in their equipment, sodium sulfate will most likely remain the industry choice. If equipment types and materials change in the future, then it is possible that sodium chloride or some other commodity might be used in the textile dyeing process. As a result of the foregoing, there is a relatively small risk of substitution in the foreseeable future. Demand for thenardite in the textile industry in the United States and Western Europe is declining due to textile manufacturers relocating to regions with lower labor costs such as China, the rest of Asia and Africa. As a result, it is expected that the increased demand from textile operations will result in rising thenardite consumption rates in these regions. With the current economic downturn, growth projections have been severely curtailed. A rebound is expected in 2010 at the earliest.

Glass

Thenardite helps remove small air bubbles in molten glass and prevents scum formation on the surface of the molten glass in the refining stage. Most thenardite consumed in the glass industry is used in the production of flat glass. Glass grade thenardite requires low iron content and a minimum Na_2SO_4 purity of 99.3-99.7%, as the glass industry has strict limits on iron, copper and noble metal levels in the product. Thenardite is the most effective substance for this application and there is a relatively small risk of significant substitution by other products in this area. Although sodium ash and calcium sulfate have been used to replace thenardite, they produce less effective results. The glass industry and consequent consumption of thenardite are strongly impacted by fluctuations in the construction and automobile industries. In addition, demand for thenardite is also affected by the rate of glass recycling.

New construction in the United States housing market is currently in a severe depression. Automobile manufacturing has been declining in North America and no additional consumption is expected in this sector. As a result, thenardite demand by the glass industry in the near term is expected to decrease. The auto sales in China, however, have been increasing, albeit at a slower rate, resulting in sustained consumption of thenardite for this application. The glass industry in Western Europe has been steady and is expected to remain so in the near future.

Paper and Pulp

At the beginning of the 1980s, the manufacture of Kraft paper was the principal use of thenardite, although such use has now declined. Kraft paper is the heavy, brown paper found in cardboard and grocery bags. In the manufacturing process for Kraft paper pulp, thenardite is reduced chemically to sulfide forms, which are the active constituents of pulping liquor. In the past, demand for natural thenardite decreased due to the increasing supply of synthetic thenardite from the production process of chlorine dioxide, which is also used as a bleaching agent in the pulp and paper industry. However, due to environmental concerns about the use of chlorine based bleaching compounds, the demand for natural thenardite is expected to increase slightly in the next three years.

Emulsified sulfur and caustic soda (sodium hydroxide) are also readily used in this market as a substitute for thenardite. Due to recent closures of some Canadian Kraft plants, production has increased in the United States Kraft companies. If energy costs increase in China there will be less plastic imports from China and more Kraft bag demand for packaging in the United States.

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Production of Kraft pulp has been increasing slightly in the past few years. Some new Kraft mills have opened in Germany recently. The overall market is not very big and changes in consumption in this area are not seen as a significant factor for global thenardite consumption.

Food and Medical

Thenardite is used as an ingredient in various stock foods and medicines because of its mild laxative properties and anti-inflammatory properties. Thenardite is also used in food dyes as a flavor enhancer in beverages, Kroger Brand baking sodas and lotions such as Aquacare and Aspercreme. Medical thenardite is especially popular in China where it is used as a mild laxative and for control of inflammatory. Medical thenardite requires a minimum Na_2SO_4 purity of 99.0%. Quality control standards for production of both food and medicinal grade products are high. Manufacturing is typically certified, regulated and closely monitored by government agencies. Companies that can meet the manufacturing standards and acquire the appropriate certifications face no barriers to entry for the food or medical markets and can typically take advantage of the value added prices as a result.

Other Uses

Other uses of thenardite include the manufacture of carpet fresheners, starch, ceramics, printing inks, sulfonated oils, synthetic sponges and veterinary medicines. Thenardite is also used in the production processes of chemical feed stocks. Consumption in these applications is relatively small and is not expected to grow substantially.

New Applications

Thenardite has been used experimentally in the treatment of coal to decrease maintenance costs for coal-fired power plants. As China and the United States are the largest consumers of coal, if thenardite is commonly adopted as a coal-treatment application, demand for thenardite could increase as a result.

In the United States, thenardite has also been tested as an additive to quick-dry cement, with some success. However, the evaluation of new cement additives usually requires extensive testing periods, particularly in cold environments, before new products are certified for use. Hence there has been no significant consumption for this application to date.

End Product Customization

Regular thenardite products could be further customized in packaging and sizing to meet the needs for various markets. For example, the detergent industry requires not only common white thenardite, but also more effective large-granule thenardite. Color-particle thenardite is also of growing popularity among certain consumers. Other customization includes pH modification and addition of calcium and other minerals for special applications. These customized products can command higher average selling prices due to their improved chemical and physical features.

Competition and Pricing

China will be the major producer and supplier of thenardite in the Asian and South American markets in the foreseeable future, as no other producing country in the world has the capacity, production cost structure or transportation advantages to compete in these markets. Outside of China, CRIMIDESA and Minera de Santa Marta, SA in Spain, Searles Valley Minerals and Copper Natural Resources in the United States, Quimica del Rey SA de CV in Mexico, Alkim AS in Turkey, Saskatchewan Mineral and Millar Western Industries in Canada are the major international thenardite producers, most of which primarily serve their local markets.

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Overall, natural thenardite is purer than synthetic thenardite. The production of synthetic thenardite, as a secondary by-product, is dependent on certain other primary chemical production processes. As a by-product, the production cost of synthetic thenardite is typically low, sometimes minimal. If there is a transportation advantage and synthetic thenardite is sufficient to meet specific end-use requirements, it will typically be used. Nevertheless, synthetic thenardite output is generally steady, it should not impact the natural thenardite market any more than it already has.

The traditional markets for thenardite, such as laundry detergents, textiles, glass and paper and pulp, are mature markets. Competition in these markets is primarily based on price. Therefore, customers seek the most cost effective and reliable thenardite supplier.

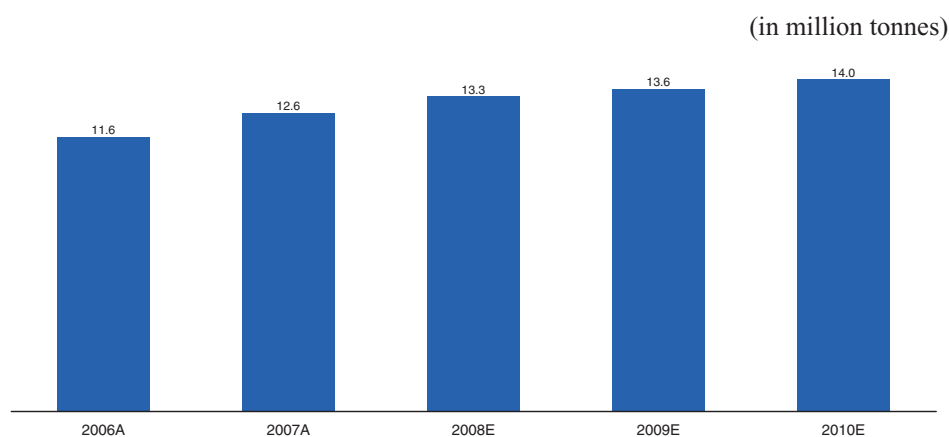
Thenardite products are not traded on any exchange, therefore no terminal or futures market exists for thenardite products where producers, consumers and traders can fix an official or settlement price.

Thenardite pricing is driven by the industry supply and demand dynamics, uniqueness of product specifications and production and transportation costs. Prices vary depending on the grade and packaging costs. Overall, the global average selling price for thenardite has been stable since 2005.

Global Market Forecast

Overall, the growth of thenardite consumption is historically strong in certain parts of the world. Due to the recent global economic crisis, however, the growth of demands for detergent, textiles and glass are expected to slow down in China, the rest of Asia and South America in the next two years which may result in only a modest growth of thenardite consumption in these regions. The long-term market for thenardite in these regions is expected to rebound in 2010 at the earliest. Little or no growth is anticipated in North America and Europe.

The table below sets forth global natural thenardite consumption levels for the periods indicated:



Source: Behre Dolbear

OVERVIEW OF CHINA'S THENARDITE INDUSTRY

China ranks first in the world in terms of the size of glauberite reserves and is the world's largest producer and exporter of thenardite. As the data collected by Behre Dolbear are from various sources including government-derived information, annual reports of companies in the thenardite industry, reference books and articles published in industrial minerals and chemical journals, the words "reserves" and "resources" used in this chart are generalizations and are not intended to be in strict conformity with specific international codes and/or categorization systems and/or usages to which such terms are customarily applied.

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Glauberite Reserves in China

The characteristics of China's glauberite reserves are as follows:

- as of 2008, China's total glauberite reserves (in terms of thenardite volume) are approximately 10.5 billion tonnes, accounting for approximately 88% of the total global reserves;
- the provinces with the most abundant glauberite reserves are Sichuan, Qinghai, Inner Mongolia, Yunnan, Jiangsu, Hubei and Hunan;
- among China's glauberite deposits, more than 80% are categorized as large and medium-sized; and
- glauberite reserves in China are relatively high-grade, with average purity of glauberite ore of approximately 24.3% Na_2SO_4 ; the glauberite ore in Sichuan Province is particularly good with an average purity of up to 34.7% Na_2SO_4 .

Thenardite Production in China

China is a major producer of thenardite products. There are approximately 200 producers with natural thenardite production facilities, 59 of which are considered major producers, according to JT Boyd.

A majority of China's thenardite output is concentrated in Sichuan and Jiangsu provinces. The average output from the major producers ranges from 30,000 to 550,000 tpa per producer and the average output among small producers ranges from 150 to 200 tpa, according to JT Boyd.

Thenardite production volumes have grown significantly in China in the past decade to a total annual production capacity of more than 12.1 million tpa by 2008.

Thenardite Demand in China

Traditional downstream industries, such as powder detergent, glass and textile production are expected to remain the main sources of demand for thenardite.

Detergent

Currently, 37% of thenardite demand in China comes from the production of powder laundry detergents. Consumption of thenardite in the powder detergent industry was approximately 2.1 million tonnes in 2008. Driven by the growth of economy and the improvement of living conditions in China, consumption is expected to grow at an annual rate of 2-3% from 2008 to 2010. According to Euromonitor International, the retail market size of powder detergent in China was approximately RMB20.9 billion for the year ended December 31, 2008.

Glass

Growth in the glass manufacturing industry is mainly driven by China's construction and automobile industries. The consumption of thenardite in the glass manufacturing industry was around 0.7 million tonnes and accounted for approximately 13.0% of total thenardite demand in China in 2008. The projected annual growth rate for this market from 2008 to 2010 is approximately 1-2%.

Textiles

In 2008, the consumption of thenardite by the textile industry was around 1.0 million tonnes and accounted for approximately 18% of the total thenardite demand in China in 2008. Annual growth rate in this market from 2008 to 2010 is projected to be around 1-2%.

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Food and Medical

Behre Dolbear believes that current consumption of medical and food grade thenardite in China is probably in the range of 110,000 to 140,000 tonnes per year. According to Behre Dolbear, some studies suggest that medical thenardite consumption may reach 400,000 tonnes by 2014.

Demand from New Applications

New thenardite application areas in China include the production of cement products, pre-processing of coal for coal-fired power plants and production of fertilizer and other chemical products. Future demand for thenardite could increase as a result of the development of these new applications of thenardite.

Demand from Exports

China is the biggest thenardite exporter in the world, and its 2008 export volume was approximately 2.6 million tonnes. The high quality and low prices of Chinese thenardite products and the proximity to high growth Asia markets provide the Chinese thenardite producers with economic advantage in several markets worldwide. Chinese thenardite exports have increased at a CAGR of 12.2% between 2004 and 2007. Due to the recent global economic crisis, the growth of exports is expected to slow down for the next two years and to maintain at a CAGR of 2%. Total exports of thenardite are expected to be over 2.7 million tonnes in 2010.

Brazil, Indonesia, Korea, Philippines, Vietnam, Japan and other areas in South America and Asia are the primary markets for Chinese thenardite products. In these regions, the demand for thenardite has experienced a increase in the last several years. Since China is now a member of WTO, it has the ability to export thenardite products with minimal trade restrictions to countries that are also WTO members.

The following chart shows China's natural thenardite export volumes from 2003-2008:

Chinese Exports of Natural Thenardite by Destination Country

<u>Year</u>	<u>Brazil</u>	<u>Indonesia</u>	<u>Korea Republic</u>	<u>Philippines</u>	<u>Thailand</u>	<u>Vietnam</u>	<u>Japan</u>	<u>Others</u>	<u>Total</u>
	(Million Tonnes)								
2003A	0.07	0.14	0.18	0.08	0.07	0.13	0.07	0.59	1.35
2004A	0.16	0.19	0.19	0.09	0.08	0.13	0.06	0.70	1.59
2005A	0.25	0.26	0.18	0.07	0.08	0.16	0.08	0.89	1.90
2006A	0.33	0.26	0.17	0.08	0.09	0.16	0.70	0.93	2.00
2007A	0.41	0.23	0.16	0.10	0.10	0.16	0.70	1.03	2.24
2008E	0.45	0.27	0.15	0.11	0.07	0.23	0.08	1.25	2.61

Source: Behre Dolbear

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Competition and Pricing

Most thenardite producers in China have historically operated at or near full capacity. It is expected that domestic competition will increase as numerous domestic producers have announced production capacity expansion plans. We are the only producer in China with a 1.0 million tpa single line production facility and are the second largest thenardite producer in the world in terms of production capacity as of December 31, 2008. The table below summarizes production capacity of the top five Chinese thenardite producers broken down by production facility and total production capacity as of December 31, 2008:

<u>MAJOR THENARDITE PRODUCERS IN CHINA</u>	<u>PRODUCTION CAPACITY BY PRODUCTION FACILITY (tpa)</u>	<u>TOTAL PRODUCTION CAPACITY (tpa)</u>
Nafine Group International Co., Ltd.	0.6 million 0.5 million 0.3 million 0.3 million	1.7 million
Lumena Resources Corp.	1.0 million 0.6 million	1.6 million
Xinli Chemical Co., Ltd.	0.8 million 0.6 million	1.4 million
Hongze Yingzhu Chemical Industry Company	0.7 million 0.2 million 0.2 million	1.1 million
Yahong Honga Qing Yi Jiang Chemical	0.8 million	0.8 million

It is anticipated that thenardite producers in China will not face any significant competition from overseas suppliers, because overseas suppliers are subject to high transportation costs. In addition, since most overseas producers are operating at full capacity they would have to spend significant capital to expand their operations before they could expand their international market shares.

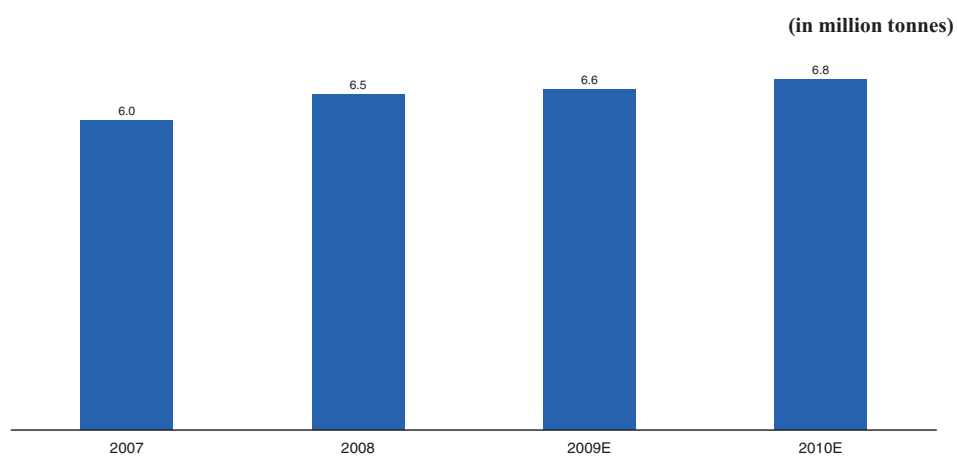
With numerous thenardite producers expanding their production capacities, it is unlikely that prices will rise significantly, if at all, in the near future. Given the large number of high volume producers in China and the recent slowdown in China's economic growth, there is a risk of price-cutting by thenardite producers to secure market share.

China Market Forecast

Domestic thenardite consumption has expanded at an average annual rate of approximately 16% for the past seven years as China's economy has rapidly and steadily developed. With the current worldwide economic downturn, however, growth in domestic thenardite consumption has been slowing down in the key traditional downstream markets as well as in various new application areas.

INDUSTRY OVERVIEW

The historic projection of natural thenardite demand from 2007 to 2010 in China is shown in the chart as follows:



Source: Behre Dolbear

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Overview

We were incorporated in the Cayman Islands as an exempted company with limited liability on April 12, 2007 in anticipation of the Global Offering. We operate our business through our two subsidiaries in China, namely, Chuanmei Mirabilite and Chuanmei Glauber Salt. Through Top Promise, a Hong Kong incorporated investment holding company that is 100.0% owned by Rich Light, our wholly-owned BVI subsidiary, we indirectly own 90.0% of Chuanmei Mirabilite and 100.0% of Chuanmei Glauber Salt. For details of our corporate structure, please see “— Corporate Structure”.

We trace our origins to 1952 when the state-owned Meishan Mirabilite, the predecessor of Chuanmei Mirabilite, was established in Meishan, Sichuan Province. In 1953, Meishan Mirabilite was renamed as Meishan Mirabilite Factory. In June 2001, Meishan Mirabilite Factory was converted into a limited liability company and renamed Chuanmei Mirabilite. In August 2004, Sichuan Huatuo and Ms. Qiu Huiying acquired 90.0% and 10.0% of the equity interest in Chuanmei Mirabilite from Cinda, Huarong and Meishan AMC, by way of public auction. In March 2005, 90.0% equity interest in Chuanmei Mirabilite was acquired by Top Promise, and Chuanmei Mirabilite was subsequently converted into a sino-foreign joint venture. Mr. Suolang Duoqi, the founder, chairman, a non-executive Director and a Controlling Shareholder of our Company, has been the ultimate controlling shareholder of Chuanmei Mirabilite since Sichuan Huatuo acquired the controlling interest of Chuanmei Mirabilite in August 2004. In June 2007, Chuanmei Glauber Salt was established as a WFOE by Top Promise in Sichuan Province. Mr. Suolang Duoqi has been the ultimate Controlling Shareholder of Chuanmei Glauber Salt since its establishment.

We are engaged in the mining, processing and manufacturing of thenardite products, and we currently operate two glauberite mines and relevant processing facilities through Chuanmei Mirabilite and Chuanmei Glauber Salt, respectively. For details of our products and mining operations, please see section headed “Business — Our Products” and “Business — Our Mining Operations and Production Facilities”.

The following are the key milestones in our corporate history:

- August 2004 — Mr. Suolang Duoqi, our founder, chairman, a non-executive Director and a Controlling Shareholder, acquired 90.0% equity interest in Chuanmei Mirabilite through his interests in Sichuan Huatuo
- June 2005 — Chuanmei Mirabilite obtained the product certification for its thenardite products, granted by China Certification Centre for Quality Mark (方圓標誌認證中心)
- February 2007 — Chuanmei Mirabilite obtained the ISO14001:2004 (Environmental Management System) certification for its thenardite production and relevant management activities
- April 2007 — Lumena was incorporated as our holding company in anticipation of the Global Offering
- June 2007 — Chuanmei Glauber Salt was established as a WFOE
- September 2007 — Chuanmei Glauber Salt entered into a cooperation agreement with Muma Mining pursuant to which Chuanmei Glauber Salt agreed to acquire certain mining rights in the Muma Mining Area
- November 2007 — the Guangji Mine commenced pilot commercial production. Pilot commercial production was approved by the Meishan Administration of Environmental Protection (眉山市環境保護局) by a letter dated November 5, 2007 which was subsequently renewed on February 14, 2008, pursuant to which Chuanmei Glauber Salt was permitted to conduct pilot

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

commercial production at our production facility in the Guangji Mining Area from November 2007 to August 15, 2008

- March 2008 — Land and Resources Bureau of Sichuan Province (四川省國土資源廳) approved the acquisition of the mining rights to mine up to 0.3 million tpa glauberite in the Muma Mine from Muma Mining by Chuanmei Glauber Salt
- March 2008 — our registered trademark “Chuanmei” (川眉) was recognized as a “China Well-known Trademark” by SAIC
- September 2008 — Chuanmei Glauber Salt obtained the mining rights to mine up to 2.8 million tpa glauberite in the Muma Mine and up to 2.4 million tpa glauberite in the Guangji Mine and Chuanmei Mirabilite obtained the mining rights to mine up to 1.2 million tpa glauberite in the Dahongshan Mine

Our Corporate History

We operate two PRC operating subsidiaries, namely, Chuanmei Mirabilite, our 90.0% owned subsidiary, and Chuanmei Glauber Salt, our wholly-owned subsidiary. Top Promise is the immediate holding company of our two PRC operating subsidiaries and Rich Light wholly-owns Top Promise.

Chuanmei Mirabilite

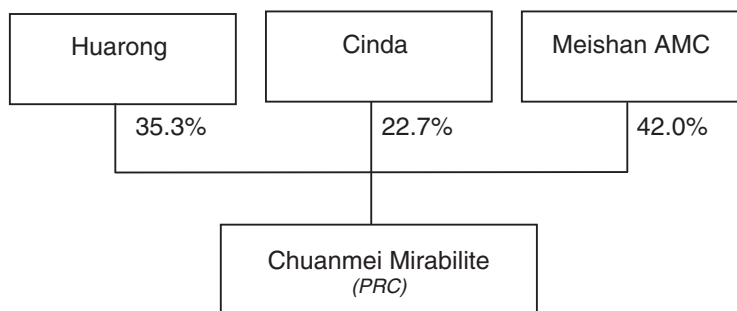
Meishan Mirabilite, the predecessor of Chuanmei Mirabilite, was established in Meishan, Sichuan Province in 1952. In November 1953, Meishan Mirabilite was converted into Meishan Mirabilite Factory and came under the direct administration of the Sichuan Industry Bureau (四川省工業廳).

In July 1998, pursuant to the Approval on the Transformation of State-owned Enterprise Nature of Meishan Mirabilite Factory by means of Debt-Equity Conversion (關於眉山芒硝廠轉制以資產置換職工國有身份的批覆) issued collectively by the Meishan Economic and Trade Commission (眉山地區經濟貿易委員會), Meishan Labor Bureau (眉山地區勞動局) and Meishan State-owned Asset Management Commission (眉山地區國有資產管理局) and the Approval on the Establishment at Sichuan Chuanmei Mirabilite Co., Ltd. (關於設立四川省川眉芒硝有限責任公司的批覆) issued by the Meishan Economic and Trade Commission (眉山地區經濟貿易委員會), Meishan Mirabilite Factory was authorized to undergo restructuring and form a limited liability company (Chuanmei Mirabilite). Employees of Meishan Mirabilite Factory who were released due to the restructuring were permitted to invest their resettlement allowances into Chuanmei Mirabilite’s registered capital to become equity holders of Chuanmei Mirabilite.

In May 2000, pursuant to a debt-equity conversion agreement among Huarong, Cinda, Meishan AMC, Chuanmei Mirabilite and the representatives of Chuanmei Mirabilite’s employee equity holders, the parties agreed that Huarong and Cinda would convert debts in the amounts of RMB50.2 million and RMB32.2 million, respectively, owed to them by Chuanmei Mirabilite into equity interests of Chuanmei Mirabilite to be held by Huarong and Cinda. Meishan AMC was entrusted to manage the equity interests and exercise the rights of equity holders on behalf of the employee equity holders. The former State Economic and Trade Commission (國家經濟貿易委員會) approved such debt-equity conversions in February 2001. Upon completion of these debt-equity conversions in 2001, the registered capital of Chuanmei Mirabilite was RMB142.1 million and Huarong, Cinda and Meishan AMC contributed RMB50.2 million, RMB32.2 million and RMB59.7 million (RMB21.6 million of which being the equity interest held by the employee equity holders), respectively, representing 35.3%, 22.7% and 42.0% of Chuanmei Mirabilite’s registered capital, respectively. On June 1, 2001, Meishan Administration for Industry and Commerce (眉山市工商局) issued a business licence for Chuanmei Mirabilite and Chuanmei Mirabilite was officially established.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Set out below is the corporate structure chart of Chuanmei Mirabilite as at the date of its establishment:

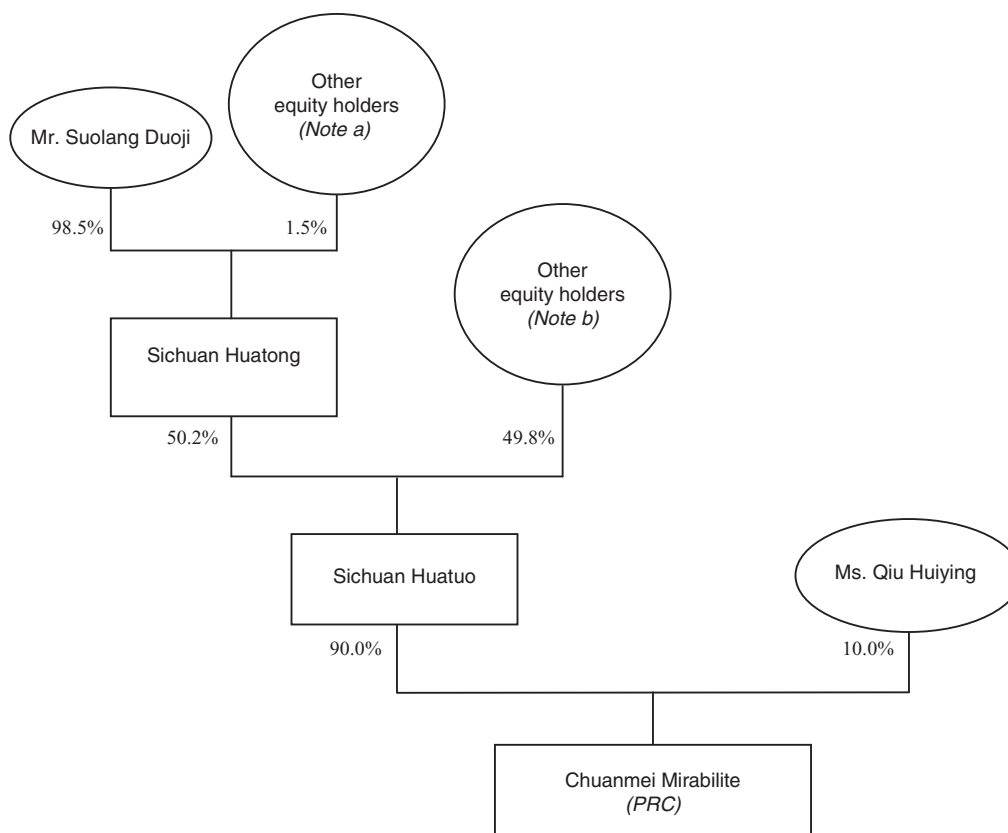


On April 8, 2004, the People's Government of Meishan (眉山市人民政府) approved the equity transfer proposal regarding the entire registered capital of Chuanmei Mirabilite pursuant to which all the equity holders of Chuanmei Mirabilite agreed to sell their respective equity interest in Chuanmei Mirabilite by way of public tender with the reserve price set at RMB72.5 million, equivalent to 90.0% of the appraised net asset value of Chuanmei Mirabilite, RMB80.6 million, as at August 31, 2003. On May 20, 2004, Sichuan Huatuo and Ms. Qiu Huiying, an Independent Third Party, entered into a joint tender agreement pursuant to which the parties agreed that Sichuan Huatuo would receive 90.0% and Ms. Qiu Huiying 10.0% of the equity interest in Chuanmei Mirabilite if they won the tender. Sichuan Huatuo and Ms. Qiu Huiying won the tender on May 28, 2004. On June 8, 2004, Huarong, Cinda, Meishan AMC and Sichuan Huatuo entered into an equity transfer agreement pursuant to which Huarong, Cinda and Meishan AMC agreed to transfer the entire registered capital of Chuanmei Mirabilite to Sichuan Huatuo for a consideration of RMB81.6 million, exceeding the reserve price of RMB72.5 million. On June 8, 2004, Huarong, Cinda, Meishan AMC, Sichuan Huatuo and Ms. Qiu Huiying executed a confirmation pursuant to which the parties agreed that Sichuan Huatuo would receive 90.0% and Ms. Qiu Huiying would receive 10.0% of the equity interest of Chuanmei Mirabilite. Huarong, Cinda and Meishan AMC subsequently agreed to adjust the consideration for their disposal of the entire registered capital of Chuanmei Mirabilite to RMB76.2 million, which was paid in full by Sichuan Huatuo and Ms. Qiu Huiying in July 2004. Sichuan Huatuo funded the acquisition of 90.0% equity interest in Chuanmei Mirabilite with its internal resources. The difference between the initial consideration (RMB81.6 million) and the adjusted consideration (RMB76.2 million) in the amount of RMB5.4 million reflects the portion of loss suffered by Chuanmei Mirabilite for the six months ended June 30, 2004 that Huatong, Cinda and Meishan AMC shared among themselves in proportion to their respective equity holdings and set off against the initial consideration. As confirmed by our PRC legal counsel, Grandall Legal Group (Shanghai), under PRC laws, the consideration for the transfer of equity interest in a state-owned enterprise shall not be in any case less than 90.0% of the appraised net asset value of such equity interest in accordance with then applicable PRC laws and regulations, but the sale of equity interests in a state-owned enterprise at a consideration less than the corresponding amount of the registered capital of such enterprise is not prohibited. Our PRC legal counsel also confirmed that prior to the equity transfers, there existed a RMB12.6 million difference between the registered capital (RMB142.1 million) and the actual paid-up capital (RMB129.5 million) of Chuanmei Mirabilite. Sichuan Huatuo and Ms. Qiu Huiying paid the difference in proportion to their respective equity holdings in Chuanmei Mirabilite in full in September 2004. Upon completion of these equity transfers, the registered capital of Chuanmei Mirabilite was RMB142.1 million to which Sichuan Huatuo contributed RMB127.9 million and Ms. Qiu Huiying contributed RMB14.2 million. Our PRC legal counsel, Grandall Legal Group (Shanghai), has advised us that the transfer of the equity interest of Chuanmei Mirabilite from the state-owned enterprise to Sichuan Huatuo and Ms. Qiu Huiying was valid and in compliance with all applicable PRC laws and regulations and all relevant approvals were properly obtained for the transfer.

At the time of its acquisition of Chuanmei Mirabilite's 90.0% equity interest in September 2004, Sichuan Huatuo was 50.2% owned by Sichuan Huatong and Sichuan Huatong was then 98.5% owned by Mr. Suolang Duoqi. As such, Mr. Suolang Duoqi was the then ultimate controlling person of Sichuan Huatuo.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

After the above transfers our corporate structure was as follows:



Notes:

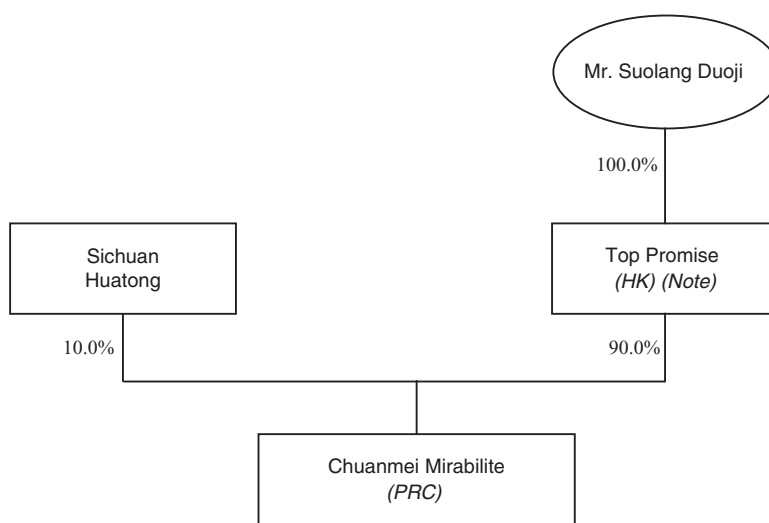
- a. After Sichuan Huatuo's acquisition of 90% equity interest in Chuanmei Mirabilite in September 2004, 1.5% equity interest in Sichuan Huatong, Sichuan Huatuo's controlling equity holder, was owned by four equity holders, including Sichuan First, Mr. Jiang Shilong (蔣世龍), Zigong Yuegui Shanzhuang Hotel Co., Ltd. (自貢市月桂山莊賓館有限公司) and Sichuan Huatong Timber Ltd. (四川省華通木業有限公司), which held approximately 0.6%, 0.6%, 0.2% and 0.2% equity interest in Sichuan Huatong, respectively. Zigong Yuegui Shanzhuang Hotel Co., Ltd. was controlled by Mr. Suolang Duoji and Ms. Ou Xiaomei (spouse of Mr. Suolang Duoji) and was a Connected Person. Sichuan Huatong Timber Ltd. was owned by Sichuan Huatong and Mr. Suolang Duoji as to 99.2% and 0.8%, respectively, and was a Connected Person. Mr. Jiang Shilong was an Independent Third Party. Sichuan First has become a Substantial Shareholder and a Connected Person since the completion of its acquisition of 10% equity interest in Chuanmei Mirabilite from Sichuan Huatong pursuant to the equity transfer agreement dated June 8, 2005.
- b. After Sichuan Huatuo's acquisition of 90% equity interest in Chuanmei Mirabilite in September 2004, 49.8% equity interest in Sichuan Huatuo was owned by Ms. Ou Xiaomei, the spouse of Mr. Suolang Duoji, and other corporate and individual equity holders.

On February 21, 2005, Top Promise was incorporated as an investment holding company in Hong Kong with an authorized share capital of HK\$10,000 divided into 10,000 shares of a nominal value of HK\$1 each. On the date of its incorporation, one share of HK\$1 was allotted and issued at par value to LLC Capital, a limited liability company incorporated in the BVI on September 22, 2004 and is an investment holding company. LLC Capital is entirely owned by Mr. Yang Zhuoya (楊卓亞). Upon completion of this share allotment and issue, the entire issued share capital of Top Promise was held by LLC Capital. Pursuant to the declaration of trust dated February 21, 2005 between LLC Capital and Mr. Suolang Duoji, LLC Capital agreed to hold the entire issued share capital of Top Promise on trust for Mr. Suolang Duoji. Mr. Suolang Duoji was the beneficial owner of the entire issued share capital of Top Promise.

On March 20, 2005, Sichuan Huatuo and Top Promise entered into an equity transfer agreement, pursuant to which Sichuan Huatuo agreed to transfer its 90.0% equity interest in Chuanmei Mirabilite to Top Promise for

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

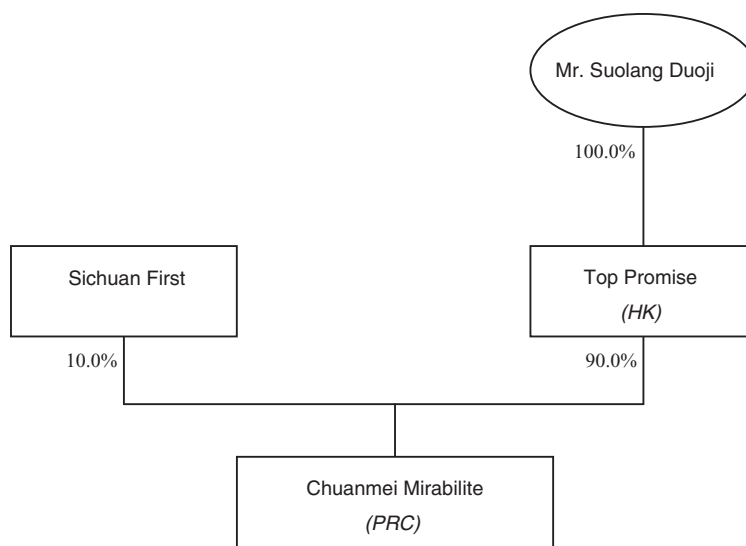
a cash consideration of RMB73.4 million. This consideration represents a 7.0% premium over RMB68.6 million, the initial cost to Sichuan Huatuo of the 90.0% equity interest in Chuanmei Mirabilite. On the same date, Ms. Qiu Huiying and Sichuan Huatong entered into an equity transfer agreement, pursuant to which Ms. Qiu Huiying agreed to transfer the 10.0% equity interest she held in Chuanmei Mirabilite to Sichuan Huatong for a cash consideration of RMB8.2 million. This consideration represents a 7.1% premium over RMB7.6 million, the initial cost to Ms. Qiu Huiying of the 10.0% equity interest in Chuanmei Mirabilite and was determined after arm's-length negotiation between Ms. Qiu Huiying and Sichuan Huatong. Upon completion of these equity transfers, Top Promise and Sichuan Huatong each held 90.0% and 10.0% of the equity interest in Chuanmei Mirabilite, respectively. The Sichuan Office of the Ministry of Commerce approved the equity transfer on May 23, 2005 and Chuanmei Mirabilite was legally and validly converted into a sino-foreign joint venture. Our corporate structure after these transfers was as follows:



Note: Top Promise's share capital was held by LLC Capital on trust for Mr. Suolang Duoqi.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

On June 8, 2005, Sichuan Huatong and Sichuan First entered into an equity transfer agreement, pursuant to which Sichuan Huatong agreed to transfer the 10.0% equity interest it held in Chuanmei Mirabilite to Sichuan First for a cash consideration of RMB8.2 million which was determined on 100.0% of the consideration Sichuan Huatong paid to acquire of such equity interest from Ms. Qiu Huiying in May 2005. Upon completion of this equity transfer, Top Promise and Sichuan First each held 90.0% and 10.0% of the equity interest in Chuanmei Mirabilite, respectively. Our corporate structure after this transfer was as follows:



Note:

Sichuan First is a limited liability company established in the PRC on March 13, 2003 with a registered and paid-up capital of RMB65.4 million and is principally engaged in research, production, sale and import/export of pure silk and anti-radiation, flame retardant fibre composite products. Sichuan First is owned as to 65%, 30% and 5% by Mr. Chen Gang (陳鋼), Mr. Liu Jun (劉軍) and Mr. Zhang Yong (張勇), respectively all being PRC individuals and Independent Third Parties. Sichuan First acquired 10.0% equity interest in Chuanmei Mirabilite in June 2005 and thus became a Substantial Shareholder and Connected Person of our Company.

Other than the interest-free loan of RMB2.2 million granted by Sichuan First to Chuanmei Mirabilite, Sichuan First and our Company did not enter into any transactions. No written agreement was entered into between Sichuan First and Chuanmei Mirabilite in respect of the RMB2.2 million loan. Our Directors confirm that Chuanmei Mirabilite repaid the RMB2.2 million loan to Sichuan First in full in March 2008.

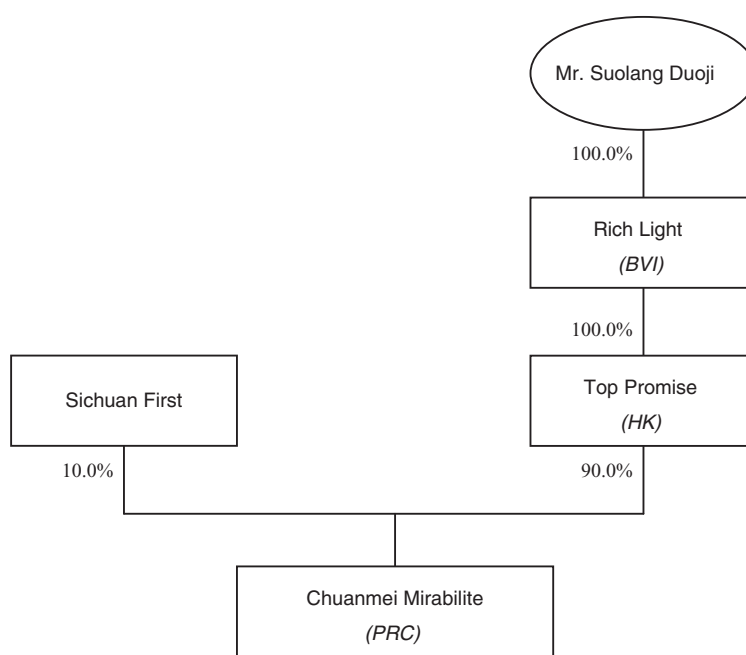
On August 5, 2005, Rich Light was incorporated in the BVI with an authorized share capital of US\$50,000 divided into 50,000 shares of a nominal value of US\$1 each. On August 5, 2005, one share of Rich Light was issued and allotted at par value to OIL Officers Limited, which in turn transferred its single share of Rich Light to Ms. Zou Xu (鄒栩) on August 23, 2005 at par value. OIL Officers Limited is a limited liability company incorporated in the BVI and the initial subscriber to one share of Rich Light upon its incorporation on August 5, 2005. OIL Officers Limited is an Independent Third Party. On August 23, 2005, Ms. Zou Xu and Mr. Xu Yaping (徐亞平) subscribed for and were issued and allotted at par value seven shares and two shares of Rich Light, respectively. As a result, Ms. Zou Xu and Mr. Xu Yaping each held eight shares and two shares of Rich Light, representing 80.0% and 20.0% of the issued share capital of Rich Light, respectively. Pursuant to the declarations of trust dated August 5, 2005 and August 23, 2005 executed by Mr. Suolang Duoqi with Ms. Zou Xu and Mr. Xu Yaping, respectively, each of Ms. Zou Xu and Mr. Xu Yaping agreed to hold the eight shares and two shares of Rich Light on trust for Mr. Suolang Duoqi.

On November 9, 2005, Rich Light acquired the entire issued share capital of Top Promise from LLC Capital at par value. Upon completion of this acquisition, the entire issued share capital of Top Promise was held by Rich Light.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

On July 26, 2006, Mr. Xu Yaping transferred his two shares of Rich Light to Mr. Zhang Daming (張大明) at par value. Upon the said share transfer, Rich Light was held 80.0% by Ms. Zou Xu and 20.0% by Mr. Zhang Daming. Pursuant to the declaration of trust dated July 26, 2006 between Mr. Zhang Daming and Mr. Suolang Duoqi, Mr. Zhang Daming agreed to hold the two shares of Rich Light in trust for Mr. Suolang Duoqi. As confirmed by Mr. Suolang Duoqi, when he first acquired the controlling interests in Chuanmei Mirabilite in 2004, it had already been operating for an extended period and Mr. Suolang Duoqi did not identify any immediate development opportunities, and for administrative convenience, Mr. Suolang Duoqi set up the trust arrangements through various Independent Third Parties and Mr. Zhang Daming (a Connected Person) to hold his interests in Top Promise and Rich Light.

In late 2006, Mr. Suolang Duoqi identified several projects in the Guangji and Muma Mining Areas as major investment and expansion opportunities which would complement the operations of Chuanmei Mirabilite. In 2007, during the process of arranging the Facility Arrangements for such expansion, the Facility Lenders requested Mr. Suolang Duoqi, as the Controlling Shareholder, to provide security in favor of them for the Facility Arrangements. Accordingly, Mr. Suolang Duoqi unwound the trust arrangements so that he would be the registered as well as the beneficial owner of the shares in both Top Promise and Rich Light, hence allowing him, together with other shareholders, to provide additional comfort to the Facility Lenders, including a continuing guarantee and indemnity provided by Nice Ace. After unwinding the trust arrangements, our corporate structure was as follows:



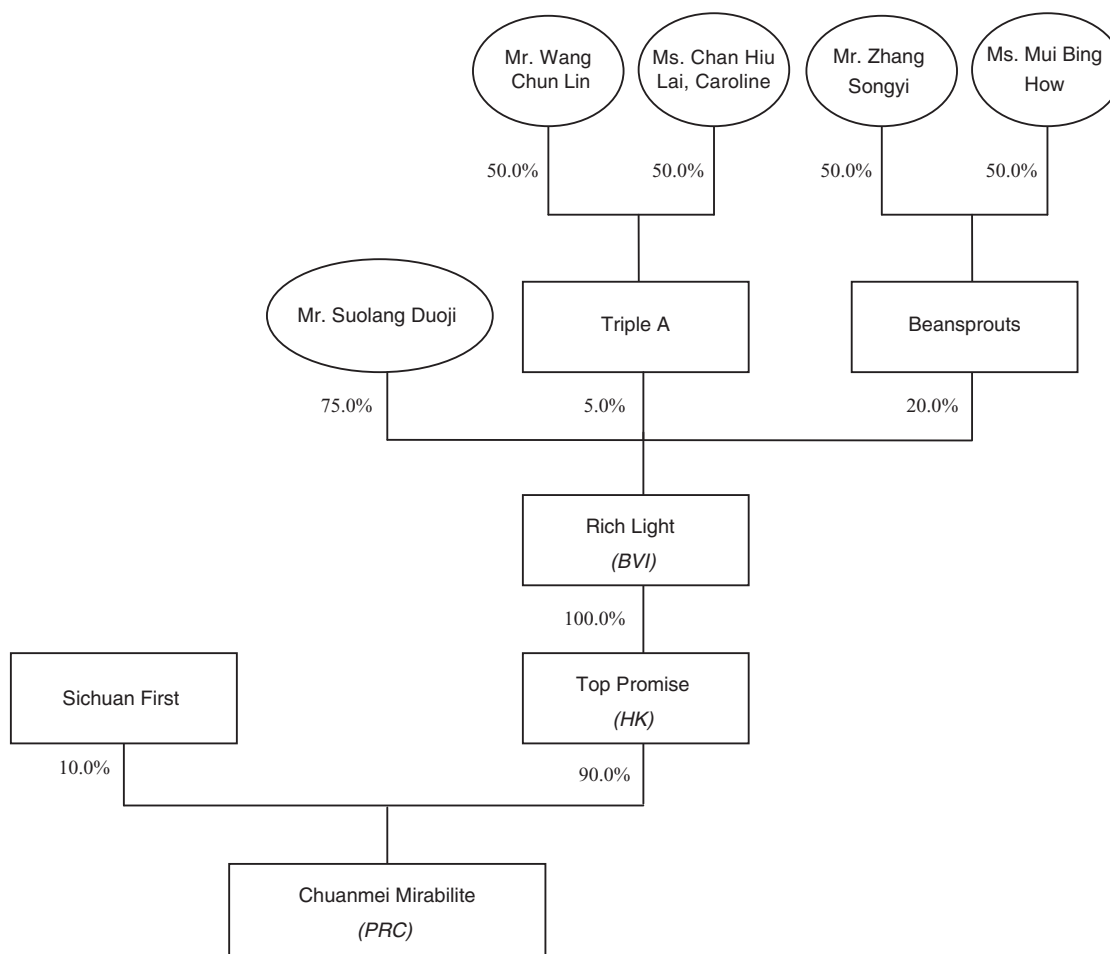
On January 5, 2007, Rich Light allotted and issued at par value 65 shares, five shares and 20 shares to Mr. Suolang Duoqi, Triple A and Beansprouts, respectively. Upon completion of these share issues and allotments, Mr. Suolang Duoqi held 75.0%, Triple A held 5.0% and Beansprouts held 20.0% of Rich Light.

Triple A, a company incorporated in the BVI with limited liability on June 8, 2005, was 50.0% owned by Mr. Wang Chun Lin and 50.0% owned by Ms. Chan Hiu Lai, Caroline (Mr. Wang Chun Lin's spouse). Since Mr. Wang Chun Lin is a non-executive Director, both he and Ms. Chan Hiu Lai, Caroline are Connected Persons.

Beansprouts, a company incorporated in the BVI with limited liability on March 3, 2000, was 50.0% owned by Mr. Zhang Songyi and 50.0% owned by Ms. Mui Bing How (Mr. Zhang Songyi's spouse). Since Mr. Zhang Songyi is a non-executive Director and a Substantial Shareholder, both he and Ms. Mui Bing How are Connected Persons.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Our corporate structure immediately before the Reorganization was as follows:



Chuanmei Glauber Salt

Chuanmei Glauber Salt was established in the PRC as a WFOE on June 19, 2007. On the date of establishment, the registered capital of Chuanmei Glauber Salt was US\$29.5 million and contributed entirely by Top Promise in cash. On August 1, 2007, Top Promise, being the sole equity holder of Chuanmei Glauber Salt, passed a resolution to amend certain provisions of the articles of association of Chuanmei Glauber Salt, pursuant to which the registered capital of Chuanmei Glauber Salt was increased from US\$29.5 million to US\$50.0 million and the total investment amount was increased to US\$90.0 million. According to the capital verification report issued by Sichuan Wansheng Lianhe Certified Public Accountants (四川萬盛聯合會計師事務所) on November 1, 2007, Top Promise paid the increased capital of US\$20.5 million in full on October 29, 2007.

Reorganization

We underwent the Reorganization in anticipation of the Global Offering. The Reorganization involved the incorporation of Lumena and acquisition of the entire issued share capital of Rich Light, pursuant to which Chuanmei Mirabilite became a 90.0% owned subsidiary of Lumena through Rich Light and Top Promise.

On April 12, 2007, Lumena was incorporated in the Cayman Islands with an authorized share capital of US\$50,000 divided into 500,000 Shares of a nominal value of US\$0.10 each. On the same date, we (i) allotted and issued one Share to Chapel Nominees Limited which then transferred the same to Nice Ace at par value; and (ii) allotted and issued at par value 74,999 Shares, 5,000 Shares and 20,000 Shares to Nice Ace, Triple A and

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Woo Foong Hong, respectively. Upon completion of these transfers, Nice Ace held 75.0%, Triple A held 5.0% and Woo Foong Hong held 20.0% of our Shares.

On May 18, 2007, Nice Ace transferred 2,000 Shares to Asia Coal Bed at par value, while Woo Foong Hong transferred 20,000 Shares to Mandra Mirabilite at par value. Upon completion of these share transfers, Nice Ace held 73.0%, Triple A held 5.0%, Asia Coal Bed held 2.0% and Mandra Mirabilite held 20.0% of our Company.

On June 12, 2007, Mr. Suolang Duoqi, Triple A and Beansprouts transferred 75 shares, five shares and 20 shares, respectively, of Rich Light to Lumena at par value. Upon completion of these share transfers, the entire issued share capital of Rich Light was held by our Company and Chuanmei Mirabilite became a 90.0% owned subsidiary of our Company.

On June 20, 2007, Triple A transferred 5,000 Shares to AAA Mining at par value. Upon completion of this share transfer, Nice Ace held 73.0%, AAA Mining held 5.0%, Asia Coal Bed held 2.0% and Mandra Mirabilite held 20.0% of our Company.

On January 2, 2008, Woo Foong Hong transferred its entire shareholding in Asia Coal Bed to Beansprouts at par value. Upon completion of the said share transfer, the entire issued share capital of Asia Coal Bed was held by Beansprouts.

On March 11, 2008, our Company adopted “旭光資源有限公司” as its Chinese company name.

On May 25, 2008, Woo Fong Hong was transferred by Mr. Zhang Songyi and Ms. Mui Bing How to Moonchu.

On May 30, 2008, Mandra Mirabilite transferred 30,400,000 Shares to Mandra Esop at nominal value. Upon completion of the said share transfer, our Company was 73.0%, 18.0%, 5.0%, 2.0% and 2.0% owned by Nice Ace, Mandra Mirabilite, AAA Mining, Asia Coal Bed and Mandra Esop, respectively.

On the same date, Asia Coal Bed transferred 30,400,000 Shares to Mandra Esop at nominal value. Upon completion of the said share transfer, our Company was 73.0%, 18.0%, 5.0% and 4.0% owned by Nice Ace, Mandra Mirabilite, AAA Mining and Mandra Esop, respectively.

On September 11, 2008, Nice Ace sold 26,600,000 shares to OSSF Capital for US\$10 million pursuant to the share purchase agreement among Nice Ace, OSSF Capital and Mr. Suolang Duoqi, as guarantor. Upon completion of such sale, our Company was approximately 71.3%, 18.0%, 5.0%, 4.0% and approximately 1.7% owned by Nice Ace, Mandra Mirabilite, AAA Mining, Mandra Esop and OSSF Capital, respectively.

Throughout the Track Record Period and after the Listing, Mr. Suolang Duoqi has been and will continue to be our ultimate Controlling Shareholder.

Management Continuity of Our Group During the Track Record Period

During the Track Record Period, Chuanmei Mirabilite has been our principal operating subsidiary. All important business decisions of Chuanmei Mirabilite, including but not limited to business operations, production, sales and marketing, and research and development, were made by the board of directors of Chuanmei Mirabilite together with a group of experienced senior managerial staff. The existing senior management of Chuanmei Mirabilite includes, among others, Mr. Zhang Daming, Mr. Li Xudong and Ms. Deng Xianxue.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Mr. Zhang Daming has been acting as the general manager of Chuanmei Mirabilite since August 2004. In February 2008, Mr. Zhang Daming was appointed as a director in addition to his position as general manager of Chuanmei Mirabilite.

Mr. Li Xudong has been acting as a director of Chuanmei Mirabilite since July 2004.

Ms. Deng Xianxue has been acting as the financial controller of Chuanmei Mirabilite since March 2005.

Mr. Zhang Daming and Mr. Li Xudong, together with a group of experienced senior managerial staff, formed our core management team during the Track Record Period and will remain in their positions after Listing. Such senior managerial staff include:-

- Mr. Zhu Jimin — Mr. Zhu Jimin joined Chuanmei Mirabilite in 1987. Between 1987 to 2004, he variously acted as deputy mining facilities chief, mining facilities chief, deputy chief of the information division and the head of business department. From August 2004 to February 2006, Mr. Zhu Jimin was the deputy general manager of Chuanmei Mirabilite in charge of mines and the development of technology related to thenardite production. He also acted as the chief supervisor of Chuanmei Mirabilite between September 2004 and February 2006. In February 2006, Mr. Zhu Jimin was appointed chairman of the board of directors of Chuanmei Mirabilite. Mr. Zhu Jimin was also appointed as our mining director in February 2008.
- Mr. Li Chunxian — Mr. Li Chunxian joined Chuanmei Mirabilite in 1997 as a technical advisor. From September 2006 to December 2006, Mr. Li Chunxian acted as the chief engineer of Chuanmei Mirabilite. In January 2007, he was appointed as the chief engineer of Top Promise. Mr. Li Chunxian was appointed as our chief engineer in February 2008.
- Mr. Gou Xingwu — Mr. Gou Xingwu joined Chuanmei Mirabilite in January 1987 and worked as deputy head of the production department, the deputy factory director, the assistant to the general manager and the factory director. In August 2004, Mr. Gou Xingwu was appointed as the deputy general manager of Chuanmei Mirabilite. He was appointed as our human resources and purchasing director in February 2008.
- Mr. Li Hongqing — Mr. Li Hongqing joined Chuanmei Mirabilite in September 1995 and worked as an operation officer, a controller, the deputy thenardite production factory director. In November 2005, Mr. Li Hongqing was appointed as the thenardite production factory director. Since December 2007, he has been working as the deputy general manager and the manager of production department. In February 2008, Mr. Li Hongqing was appointed as our production director.
- Mr. Liu Qiru — Mr. Liu Qiru joined Chuanmei Mirabilite in 1997 as deputy mine superintendent and then mine superintendent. Since October 2001, Mr. Liu Qiru has been the head and then the manager of the production technology department. In April 2007, Mr. Liu Qiru was appointed as chief engineer and the project manager of the Guangji project. Mr. Liu Qiru was appointed as our deputy chief engineer in February 2008.
- Mr. Cao Bin — Mr. Cao Bin joined Chuanmei Mirabilite in December 2003 and previously worked as the deputy manager of sales department. In December 2004, Mr. Cao Bin was appointed as the deputy general manager of Chuanmei Mirabilite and since then has been in charge of Chuanmei Mirabilite's marketing and sales department.

Although there have been changes in the composition of the board of directors of Chuanmei Mirabilite during the Track Record Period, our Directors confirm that the changes were made as a result of amendments to

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the articles of association of Chuanmei Mirabilite in respect of the number of directors constituting the board and the change of equity holders of Chuanmei Mirabilite.

In light of the above, our Directors confirm that there has been no substantial change in the management of Chuanmei Mirabilite during the Track Record Period and that we are in compliance with the management continuity requirement under Rule 8.05(1)(b) and paragraph 2 of Practice Note 3 of the Listing Rules.

Facility Arrangements

Primarily to finance our capital injection in Chuanmei Glauber Salt and our acquisition of the Guangji Mine and Muma Mine, we entered into a Facility Agreement on June 23, 2007 with, among others, Credit Suisse, Singapore Branch, acting as facility agent and security agent, for and on behalf of the Facility Lenders. The Facility Lenders made available to us a US\$100 million term loan facility for five years from the initial drawdown date. On June 28, 2007 and August 3, 2007, we drew down US\$63.0 million and US\$37.0 million, respectively, under the Facility Agreement. Under the Facility Agreement, interest is payable at an annual rate based on the 6-month London Interbank Offered Rate plus (i) 4.0%, for the period prior to the occurrence of a “Qualifying IPO” (as defined in the Facility Agreement to include a listing of our Shares on certain securities exchanges, including the Stock Exchange) or (ii) 2.5%, for the period from the date of the Qualifying IPO. Pursuant to the Facility Agreement, we are required to repay certain amounts under the loan if a Qualifying IPO does not occur within 24 months of the initial drawdown date. Each of the Facility Lenders can request us to repay together with accrued interest and break costs (if any) and a premium of 2%, in whole or in part, its share of the outstanding loan (i) in the event of a change of control event (including Mr. Suolang Duoqi ceasing to exercise management control over us or hold a certain percentage of our Shares) or (ii) if, after a Qualifying IPO occurs, any of our Shares cease to be listed on such securities exchange. We have the right to repay the Facility Lenders at any time after 18 months from the initial drawdown date in any amount not less than US\$5 million and in an integral multiples of US\$1 million thereof. We are also obliged to make partial mandatory repayment of the outstanding loan together with accrued interest and break costs (if any) to the Facility Lenders if we receive any net proceeds from any issuance of our debt or equity securities after the date of the Facility Agreement in an amount equivalent to 65% of the net proceeds received by us pursuant to such issuance. The remaining amounts will be converted into a one-year term loan bearing an interest rate of 13.5% per annum repayable in full at maturity. See “— Amendment upon Listing”.

Warrants

As one of the conditions precedent to the provision of the facility under the Facility Agreement, and pursuant to the Instrument Constituting Warrants, Nice Ace, our Controlling Shareholder holding approximately 63.9% of our Shares prior to the Global Offering, issued Warrants exercisable into 7.5% of our fully diluted Shares to the Warrant Holders. On January 8, 2009, only Warrants exercisable into approximately 7.4% of our fully diluted Shares remained outstanding. Under the Warrants, the Warrant Holders have, inter alia, the Purchase Rights and the Put Rights (as defined in the Instrument Constituting Warrants) as follows:

- **Purchase Rights:** Warrants may be exercised in whole or in part to purchase up to a maximum entitlement to the Warrant Holders as a group of 7.4% of our total share capital on a fully diluted basis (excluding the Offer Shares, Over-allotment Shares and any shares to be issued pursuant to the options granted or to be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme), at a purchase price of US\$0.00001 per Warrant Share. Nice Ace may, at its option, pay cash to the Warrant Holders to fulfill such obligation provided that such option shall not be available to Nice Ace if such Warrant Holder specifies that such option is not available to Nice Ace.
- **Put Rights:** upon the occurrence of certain events, Warrant Holders may request us to purchase from such Warrant Holder all or any part of its outstanding Warrants. The put price is made with reference to a 16% per annum rate of return.

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Warrants may be exercised from the date of the Instrument Constituting Warrants, June 23, 2007, to (A) 60 months from the first drawdown date under the Facility Agreement if a Qualifying IPO does not occur prior to such date; or (B) if a Qualifying IPO occurs on or prior to 60 months from such first drawdown date, then either (i) 60 months from the expiry of any IPO lock-up period of such Qualifying IPO; or (ii) if there is no such IPO lock-up period, 60 months from the Qualifying IPO. See “Appendix VIII — Principal Terms and Conditions of the Warrants”. The Warrant Holders exercised their Warrants in full and the legal and beneficial ownership over the 111,993,600 Shares was transferred from Nice Ace to the Warrant Holders on May 14, 2009. The effective price per share for the Warrant Shares was nil. See “Appendix VIII — Principal Terms and Conditions of the Warrants”. The purchase rights described above have lapsed as the Warrants have been fully exercised. The put rights described above will lapse upon the Listing.

The fair value of Warrants is assessed by an independent valuer, Jones Lang LaSalle Sallmanns and the requirement under Listing Rule 4.17 has been fully complied with.

Security and Guarantee

The due performance of our obligations under the Facility Agreement are secured by the following securities and guarantees: (i) continuing guarantees and indemnities provided by Nice Ace, AAA Mining, Asia Coal Bed and Mandra Mirabilite; (ii) continuing guarantees and indemnities provided by us, Rich Light and Top Promise; (iii) a share charge over our Shares provided by Nice Ace, AAA Mining, Mandra Esop and Mandra Mirabilite; (iv) a share charge over Rich Light provided by Lumena; (v) a share charge over Shares of Top Promise provided by Rich Light; (vi) an equity pledge over Chuanmei Mirabilite provided by Top Promise; (vii) an equity pledge over Chuanmei Glauber Salt provided by Top Promise; (viii) an assignment of a loan owing to Lumena by Top Promise; (ix) a subordination and assignment deed for indebtedness owing to Mr. Suolang Duoqi by Top Promise; (x) charges over our accounts in Hong Kong and Singapore; and (xi) charges over the accounts of Top Promise. On May 7, 2009, Top Promise entered into a loan agreement with China Sun Fund whereby China Sun Fund made available to Top Promise a HK\$145.0 million offshore loan for three years from the initial drawdown date. On May 8, 2009, Top Promise and China Sun Fund entered into a subordination and assignment deed for such offshore loan to further secure our obligations under the Facility Agreement. With the consent of the Facility Lenders, by May 8, 2009, Top Promise repaid the indebtedness it owed to Mr. Suolang Duoqi in the aggregate amount of HK\$137.8 million with the proceeds of the offshore loan with China Sun Fund.

On September 11, 2008, Credit Suisse, Singapore Branch (as security agent) executed a deed of partial release in favor of Nice Ace pursuant to which Credit Suisse, Singapore Branch released the charge over 26,600,000 Shares by Nice Ace. Such Shares were subsequently sold to OSSF Capital on the same date.

The continuing guarantees and indemnities provided by Nice Ace, AAA Mining, Asia Coal Bed and Mandra Mirabilite, share charge over our Shares provided by Nice Ace, AAA Mining, Mandra Esop and Mandra Mirabilite, share charge over Rich Light provided by us, share charge over Top Promise provided by Rich Light, equity pledge over Chuanmei Mirabilite provided by Top Promise and equity pledge over Chuanmei Glauber Salt provided by Top Promise will be released immediately prior to the Listing as our Company will repay a portion of the outstanding loans under the Facility Arrangements with the proceeds from the Global Offering. The continuing guarantees and indemnities provided by us, Rich Light and Top Promise, subordination and assignment deed for indebtedness owing to China Sun Fund by Top Promise, charges over our accounts in Hong Kong and Singapore, charges over the accounts of Top Promise and assignment of loan owing to us by Top Promise will remain effective after the Listing. No special right was provided to China Sun Fund under the loan arrangement.

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Financial Covenants

The Facility Agreement contains certain financial and operating covenants that require us to maintain certain financial ratios. Please see the table below for the financial covenants required for the indicated periods:

Relevant period ending	Consolidated total debt to consolidated EBITDA ratio no greater than	Consolidated EBITDA to consolidated interest expenses ratio no less than	Consolidated total debt to total capitalization ratio no greater than
On or prior to December 31, 2007	4.75:1	3.0:1	0.80:1
After December 31, 2007 but on or prior to June 30, 2008	4.25:1	3.0:1	0.80:1
After June 30, 2008	3.25:1	3.5:1	0.70:1

In addition, the Facility Agreement limits our ability to, among other things, create or permit any security over our assets, finance the acquisition of new assets, transfer, lease or dispose of assets, or incur additional indebtedness. We have been in breach of certain of these covenants in the past, primarily for our inability to meet certain financial ratios during the relevant period after the initial drawdown on the loan. We were able to obtain waivers from the relevant lenders on October 9, 2007 and May 9, 2008 for such covenant breaches. 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”. Upon the full repayment of the loans under the Facility Agreement, the limitations set forth in the Facility Agreement will cease to apply. We will repay a portion of the outstanding loans under the Facility Agreement with the proceeds from the Global Offering. See “Financial Information”.

Certain security documents as referred to above will constitute the provisions of financial assistance to us by connected persons of our Group (as such term is defined under Rule 14A.13(2)(b) of the Listing Rules). The continuing guarantees and indemnities provided by Nice Ace, AAA Mining and Asia Coal Bed and Mandra Mirabilite, share charge over our Shares provided by Nice Ace, AAA Mining, Mandra Esop and Mandra Mirabilite, share charge over Rich Light provided by us, share charge over Top Promise provided by Rich Light, equity pledge over Chuanmei Mirabilite provided by Top Promise and equity pledge over Chuanmei Glauber Salt provided by Top Promise will be released immediately prior to the Listing as our Company will repay a portion of the outstanding loans under the Facility Arrangements with the proceeds from the Global Offering. The continuing guarantees and indemnities provided by us, Rich Light and Top Promise, subordination and assignment deed for indebtedness owing to an Independent Third Party by Top Promise, charges over our accounts in Hong Kong and Singapore, charges over the accounts of Top Promise and assignment of loan owing to us by Top Promise will remain effective after the Listing. Please refer to the sections headed “Use of Proceeds” and “Controlling, Substantial and Selling Shareholders” for more details of such arrangements for repayment of loans and release of security or finance assistance provided by connected persons of our Group.

Amendment upon Listing

On May 29, 2009, we entered into a deed of amendment with the Facility Lenders, pursuant to which the remaining outstanding balance of our offshore bank loan owed to the Facility Lenders will be converted into a one-year term loan upon Listing, bearing an effective interest rate of 13.5% per annum repayable in full at maturity. Such loan will benefit from the continuing guarantees and indemnities provided by us, Rich Light and Top Promise, a subordination and assignment deed for indebtedness owing to China Sun Fund by Top Promise, charges over our accounts in Hong Kong and Singapore and charges over the accounts of Top Promise. In addition, this loan will restrict us from incurring any additional offshore borrowing and limit our onshore borrowings to no more than RMB500 million at any time outstanding. We will still be subject to the financial and operating covenants under the Facility Agreement. See “— Financial Covenants”. See “Risk Factors — Risks Relating to our Business and our Industry — We need additional capital to fund our operations and growth which we may not be able to obtain on acceptable terms, or at all.”

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Loan Agreement between Mr. Suolang and Investec Bank

On November 11, 2008, Mr. Suolang Duoji and Nice Ace entered in to a loan agreement with Investec Bank, an Independent Third Party, under which Investec Bank made available a 18-month term loan facility of US\$10 million to Mr. Suolang Duoji for his personal use. Mr. Suolang Duoji drew down the entire amount of the loan facility on November 19, 2008. Pursuant to this agreement, if our Company completes an initial public offering within 18 months after the drawdown date, Investec Bank may in its sole discretion, take delivery of the 55,714,286 Shares currently owned by Nice Ace in lieu of cash repayment of the loan on or before May 19, 2010. Investec Bank is not entitled to demand repayment or request delivery of Shares prior to the Listing. We are not a party to the loan agreement and have no obligation thereunder to repay the loan and/or issuance of new Shares if Mr. Suolang Duoji defaults on repayment of the loan.

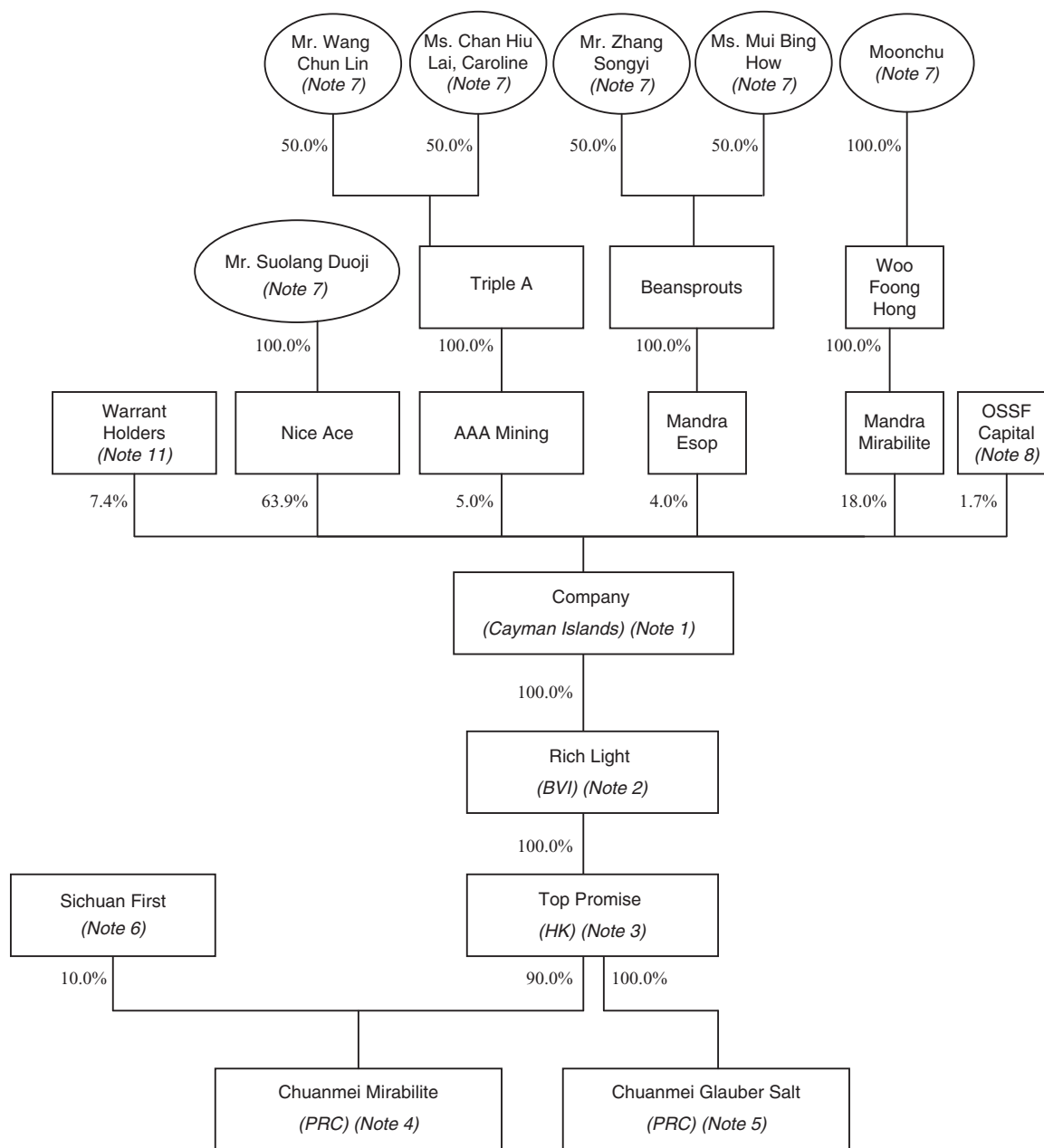
Investec Bank has acknowledged in the loan agreement that the 55,714,286 Shares are subject to the usual lock-up of six months and in case it elects to take ownership of the Shares within the lock-up period applicable to Mr. Suolang Duoji, Mr. Suolang Duoji shall deliver thereto the Shares within 5 business days following the date on which such lock-up period expires. This arrangement satisfies the requirements under Rule 10.07 or 10.08 of the Listing Rules.

In case Investec Bank elects to take ownership of the 55,714,286 Shares in lieu of repayment of the US\$10 million loan, the effective price per Share paid by Investec Bank is approximately HK\$1.4. The 55,714,286 Shares to be disposed of to Investec Bank represent approximately 3.67% of the issued share capital of our Company before listing and approximately 2.9% of the enlarged issued share capital of our Company upon completion of the Global Offering (without taking into account any Shares that may be allotted and issued pursuant to the exercise of (i) options granted under the Pre-IPO Share Option Scheme; and (ii) options that may be granted under the Share Option Scheme).

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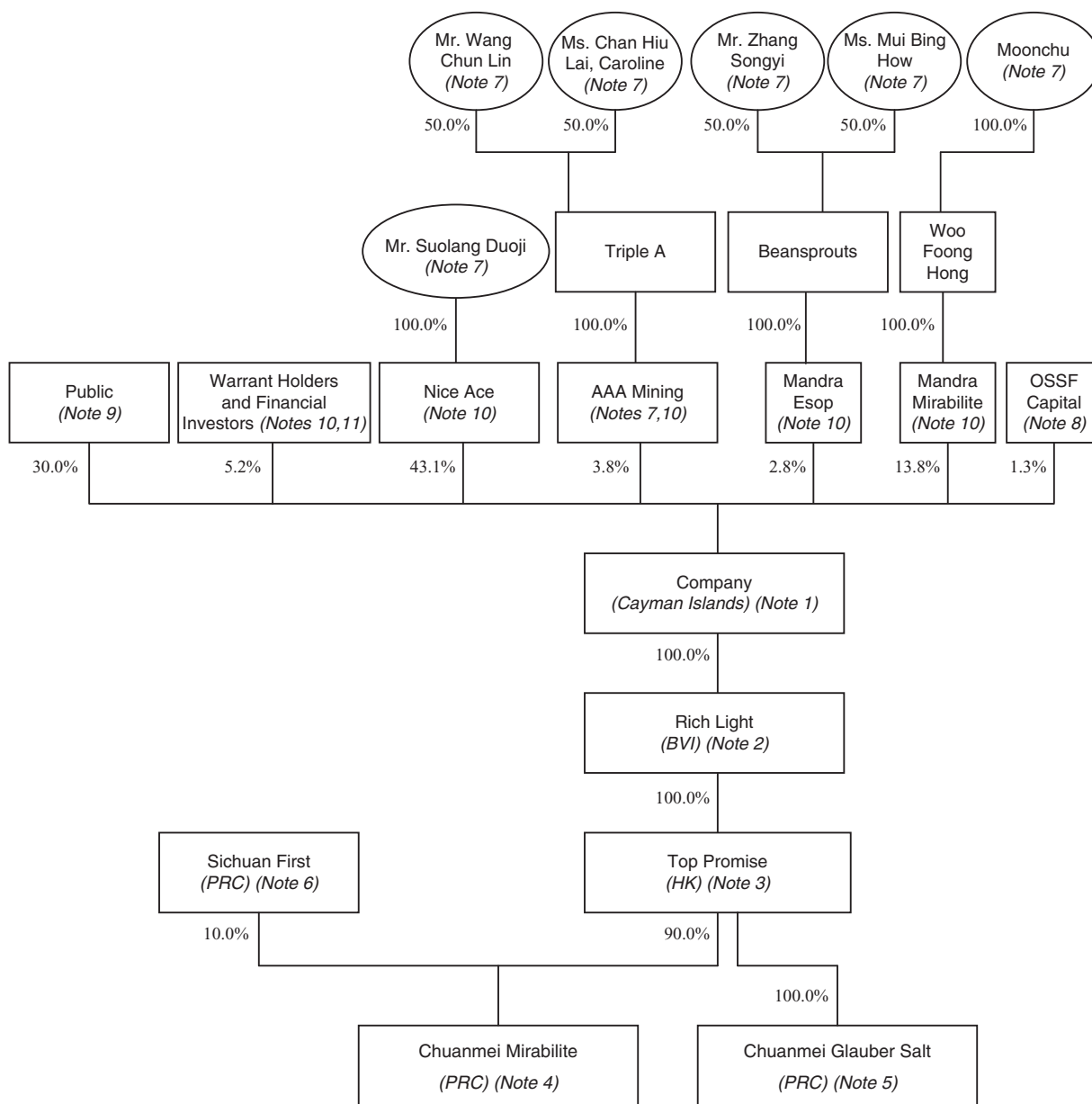
Corporate Structure

The following chart sets out the corporate structure of our Group after the Reorganization but immediately prior to the completion of the Global Offering:



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The following chart sets out the corporate structure of our Group upon completion of the Global Offering (without taking into account (1) any Shares which may be allotted and issued or transferred pursuant to the exercise of (i) the Over-allotment Option; (ii) options granted under the Pre-IPO Share Option Scheme; and (iii) options that may be granted under the Share Option Scheme and (2) the arrangement among Mr. Suolang Duoqi, Nice Ace and Investec Bank):



Notes:

1. Our Company was incorporated as an exempted company in the Cayman Islands on April 12, 2007.
2. Rich Light was incorporated as a limited liability company in the BVI on August 5, 2005 and is a direct wholly-owned subsidiary of our Company.
3. Top Promise was incorporated as an investment holding company with limited liability in Hong Kong on February 21, 2005 and is an indirect wholly-owned subsidiary of our Company.
4. Chuanmei Mirabilite was established in the PRC on June 1, 2001 with limited liability and is a 90.0% owned subsidiary of our Company. Top Promise and Sichuan First held 90.0% and 10.0%, respectively, of the equity interest in Chuanmei Mirabilite.

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5. *Chuanmei Glauber Salt was established as a WFOE on June 19, 2007 under the laws of the PRC. On the date of establishment and as at the Latest Practicable Date, the entire equity interest in Chuanmei Glauber Salt is owned by Top Promise.*
6. *Sichuan First is a limited liability company established in the PRC on March 13, 2003. Sichuan First holds a 10.0% equity interest in Chuanmei Mirabilite and is thus a Substantial Shareholder and Connected Person.*
7. *Mr. Suolang Duoqi, the founder, chairman, a non-executive Director and a Controlling Shareholder of our Company, will hold approximately 43.1% shareholding of our Company via Nice Ace (a limited liability company incorporated in the BVI and wholly owned by Mr. Suolang Duoqi) following completion of the Global Offering. Nice Ace's shareholding is subject to a loan agreement with Investec Bank. Investec Bank may take 55,714,286 Shares in lieu of cash repayment of the loan only after the Listing.*

Mr. Wang Chun Lin, a non-executive Director and his spouse, Ms. Chan Hiu Lai, Caroline will together hold approximately 3.8% shareholding of our Company via AAA Mining (a limited liability company incorporated in the BVI and wholly owned by Triple A, a limited liability Company incorporated in the BVI and 50% owned by Mr. Wang Chun Lin and 50% owned by Ms. Chan Hiu Lai, Caroline.) following completion of the Global Offering.

Mr. Zhang Songyi, a non-executive Director, and his spouse, Ms. Mui Bing How will together hold approximately 2.8% shareholding of our Company via Mandra Esop (a limited liability company incorporated in the BVI and wholly owned by Beansprouts, a limited liability company incorporated in the BVI and 50.0% owned by Mr. Zhang Songyi and 50.0% owned by Ms. Mui Bing How), following completion of the Global Offering.

Moonchu is a tax-exempt charity established in Hong Kong of which its members of association are Mr. Zhang Songyi, Ms. Mui Bing How (spouse of Mr. Zhang Songyi) and Mr. Chang Tsong Zung (brother of Mr. Zhang Songyi), will together hold approximately 13.8% shareholding of our Company via Mandra Mirabilite (a limited liability company incorporated in the BVI and wholly owned by Woo Foong Hong, a limited liability company incorporated in the BVI and wholly owned by Moonchu) following completion of the Global Offering.

8. *OSSF Capital is a limited liability company incorporated in Malaysia on March 24, 2006. Its sole shareholder is STIC Shariah Co., Ltd. (as General Partner of Oryx/ STIC Korean Technology Fund LTD.P.) which holds two ordinary shares of RM1 each and 112,487 redeemable preference shares of RM1 each in the issued share capital of OSSF.*
9. *Assuming that the Over-allotment Option is exercised, the public float will be increased to 34.5%.*
10. *As part of the Global Offering, the Selling Shareholders agreed to sell part of their Shares. Upon completion of the Global Offering, the aggregate shareholding of the Selling Shareholders will be reduced to 70.0%.*
11. *The Warrant Holders are the record holders of 111,993,600 Shares prior to the Global Offering. The Warrant Holders will sell a total of 12,989,000 Shares as part of the Global Offering, assuming the Over-allotment Option is not exercised. In particular, pursuant to certain participation agreements and credit default swap arrangements entered into between 2007 and 2009 and amended in May 2009 between one of the Warrant Holders, Credit Suisse International, and the Financial Investors, Credit Suisse International will (i) sell 11,041,000 Shares as part of the Global Offering on behalf of itself and the Financial Investors, and (ii) transfer 49,811,400 Shares it holds on behalf of the Financial Investors to such Financial Investors at or about the time of the Listing for zero consideration. Upon the completion of such transfer, each Financial Investor will not hold more than 1% of the enlarged issued share capital of our Company. None of our Company, any member of our Group or our Directors are parties to such participation agreements or credit default swap arrangements.*

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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

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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

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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% Na_2SO_4 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

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“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.

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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 (自贡轻工业设计研究院有限责任公司) 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 (四川省医药设计院有限公司) in connection with our planned 0.2 million tpa medical thenardite production facility. It is intended that our thenardite research and development center will co-operate 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.

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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

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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”.

Our Mines	Marketable Reserves ⁽¹⁾			Resources ⁽²⁾		
	Proved	Probable	Total	Measured	Indicated	Total
	(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.

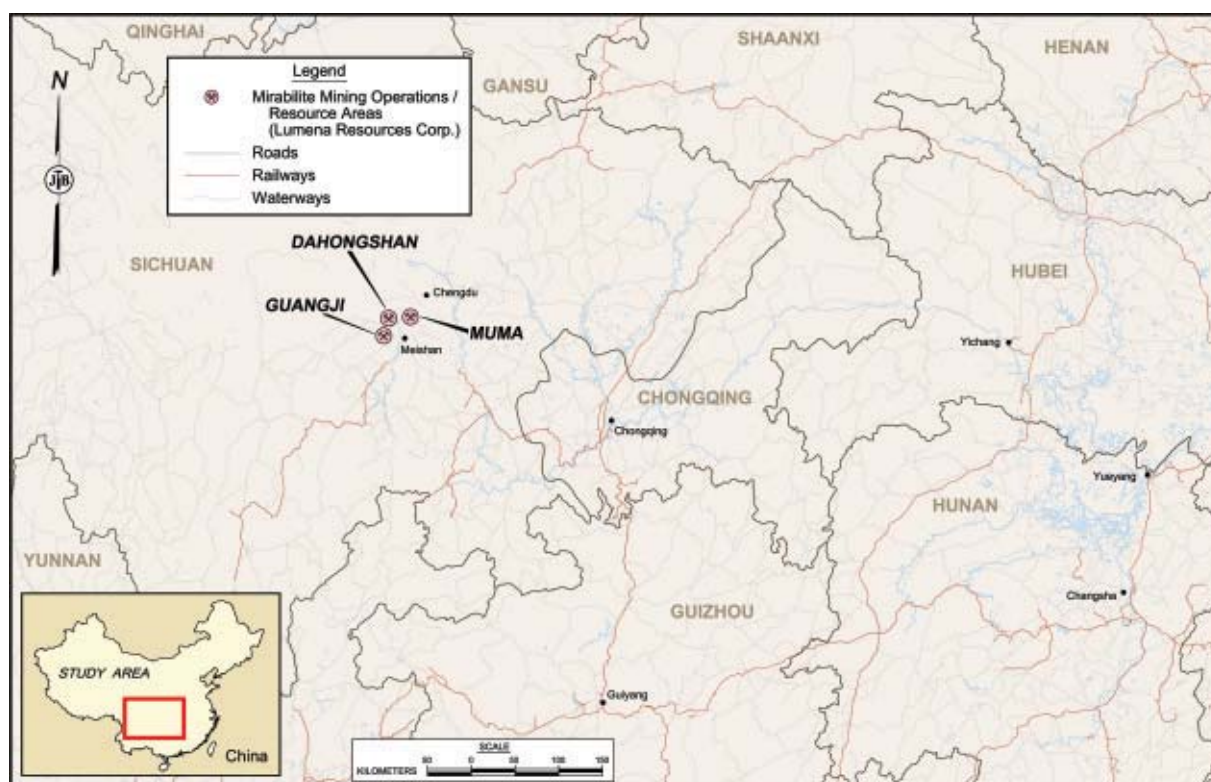
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Mine Service Life

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 specialty 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

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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

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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”.

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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.

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2. 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:

Mining Rights Areas	Certificate Number	Current Mining Right Permit Grant Date	Mining Right Validity	Mining Right Permit Renewal Date	Authorized Area
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".

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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

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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.

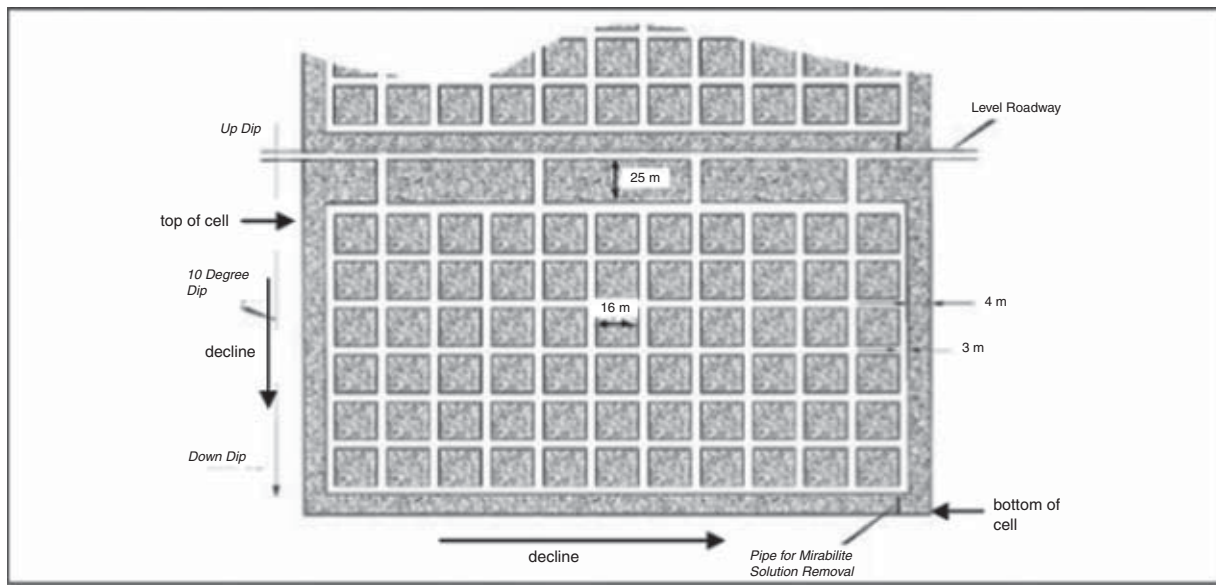
As of the Latest Practicable Date, Chuanmei Mirabilite and Chuanmei Glauber Salt had 45 and 25 technicians, respectively, that hold the relevant individual explosives permits.

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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

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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

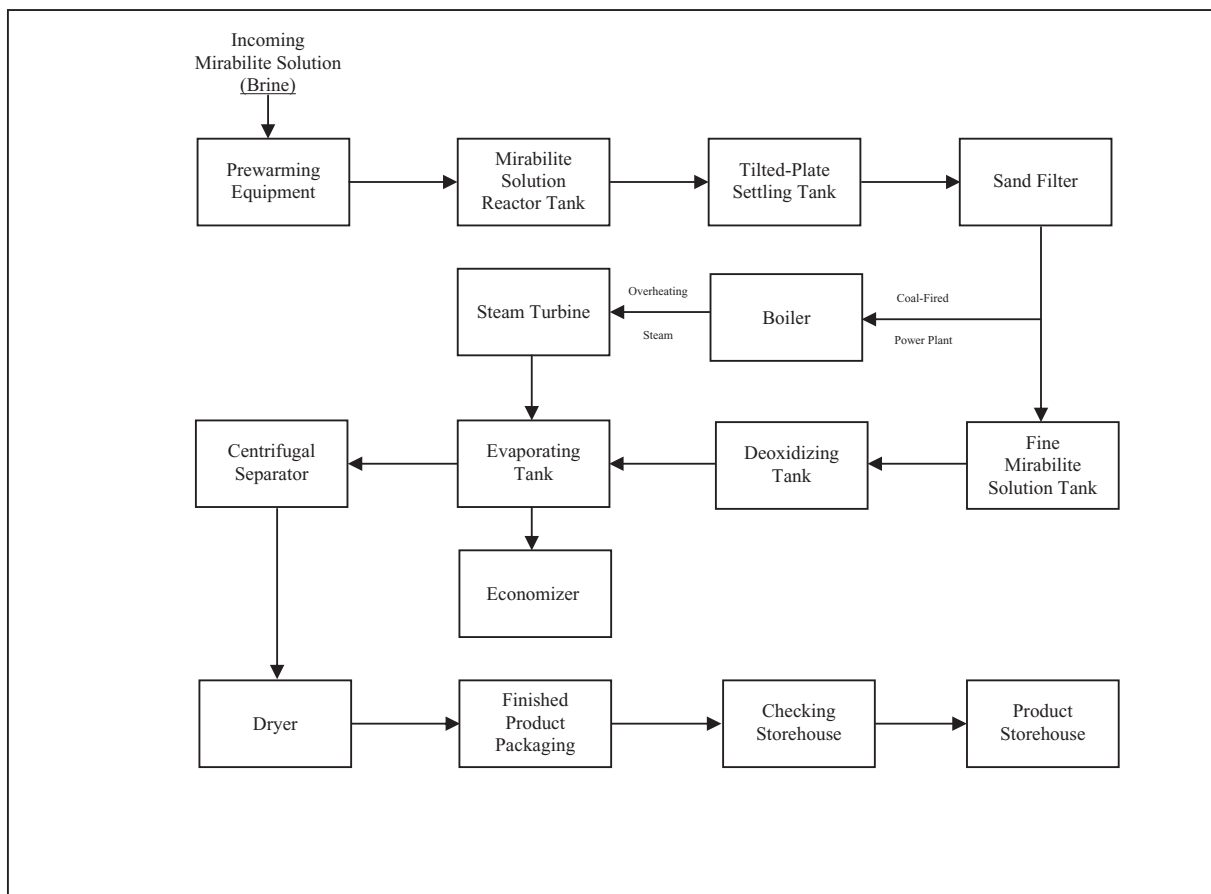
Powder thenardite production process

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.

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Mirabilite Processing Flowchart



Source: JT Boyd

Specialty thenardite production process

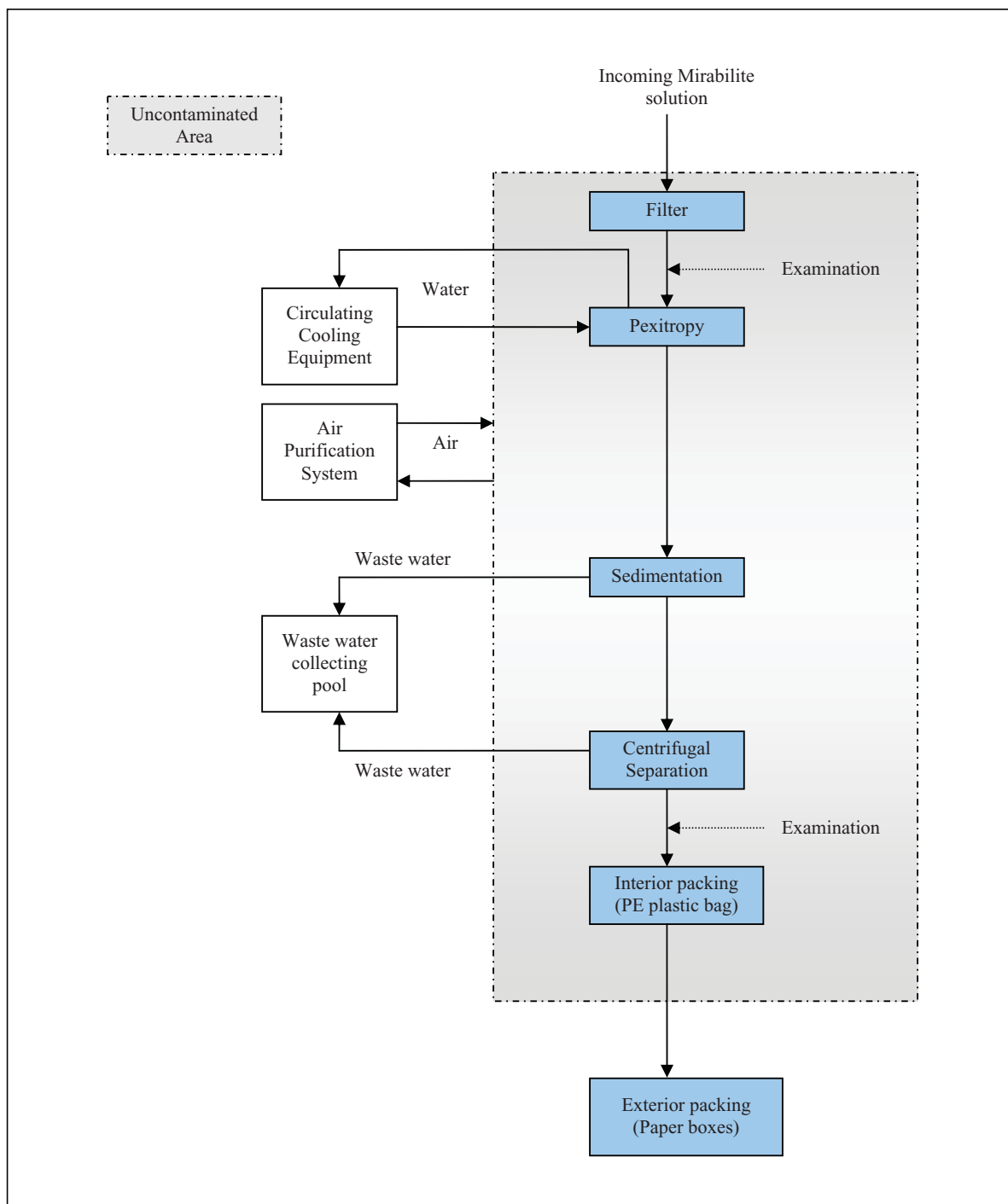
The specialty thenardite is produced by adjusting the production processes and operational parameters in the powder thenardite production process.

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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



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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

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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

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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.

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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.

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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

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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.

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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 of 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

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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;

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(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.

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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:

Certificate/Award	Recipient of Award	Awarding Organization	Date of Issue	Term of validation
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	—

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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,

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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.

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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 glauconite 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:

DEPARTMENT	NUMBER OF EMPLOYEES ⁽¹⁾
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	1,802

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

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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.

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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

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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

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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

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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

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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 Duoqi 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 Duoqi 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 Duoqi'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

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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.

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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.

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- (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 Duoqi 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:

Description	Loss in RMB (millions)
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.

CONTINUING CONNECTED TRANSACTION

Continuing Connected Transaction Exempt from the Reporting, Announcement and Independent Shareholders' Approval Requirements

Financial assistance provided by Haton

On March 11, 2009, Top Promise as tenant and Hang Lung Real Estate Agency Limited ("Hang Lung") as agent for the registered owner, AP Success Limited, (the "Landlord") entered into a tenancy agreement (the "Tenancy Agreement") for a term of two years commencing from February 25, 2009. The monthly rent and the management fees for the Hong Kong Premises under the Tenancy Agreement are HK\$122,472.0 and HK\$15,454.8, respectively. We currently use the Hong Kong Premises as our Hong Kong office. On March 11, 2009, a guarantee and indemnity (the "Guarantee") was entered into among Hang Lung as agent for the Landlord, Top Promise, Haton and our Company, pursuant to which Haton and our Company guarantee unconditionally and irrevocably Top Promise's due and punctual performance and fulfillment of all of its actual or contingent obligations, covenants, terms and conditions under the Tenancy Agreement.

As Mr. Suolang Duoqi, the founder, the chairman, a Controlling Shareholder and a non-executive Director of our Company, is a connected person of our Company under Rules 1.01 and 14A.11 of the Listing Rules and Haton is more than 30% owned by him, Haton is considered as an associate of Mr. Suolang Duoqi and a connected person of our Company under Rule 14A.11 of the Listing Rules. Further details of Haton are set out in the section headed "Controlling, Substantial and Selling Shareholders" in this prospectus.

The maximum monthly rent and management fees that will be subject to the guarantee provided by Haton under the Guarantee are HK\$137,926.8 per month. The Directors consider that the financial assistance provided by Haton is for the benefit of our Company and is on normal commercial terms and our Company has not and will not grant any security over any of our assets in respect of such financial assistance.

Historical figures and proposed annual caps

For each of the years ended December 31, 2006, 2007 and 2008, the aggregate amount of the financial assistance provided by Haton to Top Promise amounted to nil, nil and nil, respectively.

Based on the Guarantee, the Directors expect that the aggregate amount of the financial assistance to be provided by Haton to Top Promise for the three consecutive years ending December 31, 2009, 2010 and 2011 will not exceed HK\$965,487.6 (for seven months ending December 31, 2009), HK\$1,655,121.6 and HK\$275,853.6, respectively.

No waiver applied for exempt continuing connected transaction

The Directors, including the independent non-executive Directors, consider that the continuing connected transaction described above is qualified under Rules 14A.33 and 14A.65(4) of the Listing Rules as a continuing connection transaction exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Therefore, no waiver for this exempt continuing connected transaction is sought from the Stock Exchange.

Confirmation from the Directors

The Directors, including the independent non-executive Directors, confirm that the continuing connected transaction described above was entered into in the ordinary and usual course of business of our Company, on normal commercial terms and are fair and reasonable to our Company on the basis that the terms thereof are no less favorable to our Company than terms offered by independent third parties, and therefore are in the interests of our Shareholders and our Company as a whole.

CONTINUING CONNECTED TRANSACTION

The Directors, including the independent non-executive Directors, are of the view that the proposed annual caps are fair and reasonable and in the interests of the Shareholders and our Company as a whole.

Confirmation from the Joint Sponsors

The Joint Sponsors are of the opinion that the continuing connected transaction described above are in the ordinary and usual course of business of our Company, on normal commercial terms, are fair and reasonable and in the interests of our Shareholders and our Company as a whole, and that the proposed annual caps are fair and reasonable.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Directors

The Board consists of nine Directors, three of whom are independent non-executive Directors. The powers and duties of the Board include convening shareholders' meetings and reporting the Board's work at shareholders' meetings, implementing resolutions passed at shareholders' meetings, determining our Group's business plans and investment plans, formulating our Group's annual budget and final accounts, formulating proposals for profit distributions and for the increase or reduction of share capital as well as exercising other powers, functions and duties as conferred by the Articles of Association. All the executive Directors have entered into service contracts with our Company.

The following table sets forth information regarding the current Directors:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Suo Lang Duo Ji (索郎多吉)	46	Chairman and non-executive Director
Executive Directors		
Zhang Daming (張大明)	60	Executive Director and chief executive officer
Deng Xianxue (鄧憲雪)	35	Executive Director
Li Xudong (李旭東)	46	Executive Director
Non-executive Directors		
Zhang Songyi (張頌義)	53	Non-executive Director
Wang Chun Lin (王春林)	57	Non-executive Director
Independent non-executive Directors		
Patrick Logan Keen	59	Independent non-executive Director
Koh Tiong Lu John (許忠如)	53	Independent non-executive Director
Wong Chun Keung (王振強)	39	Independent non-executive Director

Executive Directors

ZHANG Daming (張大明), aged 60, is an executive Director and chief executive officer of our Group. Mr. Zhang Daming is a senior economist and holds a master degree in Integral Management from Tao University and a bachelor degree in Political Economics from Sichuan University (四川大學). Mr. Zhang Daming worked as the department head of Sichuan Provincial Economic System Reform Committee (四川省經濟體制改革委員會) from 1993 to 1996 and the deputy secretary general of the SPESRC from 1996 to 2001. In September 2001, Mr. Zhang Daming was appointed as the economic advisor of Chuanmei Mirabilite after his departure from the SPESRC. In August 2004, Mr. Zhang Daming was appointed as the general manager of Chuanmei Mirabilite and was reappointed in August 2007 with a three year tenure. In June 2007, he was appointed as the general manager of Chuanmei Glauber Salt. In February 2008, he was appointed as a director of Chuanmei Mirabilite. Currently, he is also the managing director of Top Promise and deputy chairman of Sichuan Mirabilite Association (四川省元明粉協會). Mr. Zhang Daming participated in the strategic business development of Chuanmei Mirabilite and is involved in the decision making regarding the operation of our business. In the three years preceding the Latest Practicable Date, Mr. Zhang Daming did not hold any directorship in public companies. He was appointed as an executive Director and chief executive officer in February 1, 2008.

DENG Xianxue (鄧憲雪), aged 35, is an executive Director. She holds a master degree in Business Administration from the University of Electronic Science and Technology of China (電子科技大學) and a high diploma in Accountancy from Guizhou College of Finance and Economics (貴州省財經學院). Ms. Deng Xianxue is a member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會), a member of the Chinese Certified Tax Agents Association (中國註冊稅務師協會) and a member of the China Appraisal Society (中國資產評估協會). Ms. Deng Xianxue has years of experience in accounting, taxation and corporate reorganization and is involved in making decisions regarding our business plans and financial reporting issues.

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She joined our Group in March 2005 as the financial controller of Chuanmei Mirabilite and was also appointed as the financial controller of Top Promise in January 2007. She was appointed as the chief financial director of Chuanmei Glauber Salt in December 2007. In the three years preceding the Latest Practicable Date, Ms. Deng did not hold any directorship in listed public companies or any major appointments. She was appointed as an executive Director on February 1, 2008.

LI Xudong (李旭東), aged 46, is an executive Director and a senior engineer. He holds a master degree in Management Science and Engineering from University of Electronic Science and Technology of China (電子科技大學) and a high diploma in Management Engineering from Sichuan Light Chemical Industry College (四川輕化工學院) (now known as Sichuan University of Science & Engineering (四川理工學院)). Mr. Li Xudong joined our Group in 1994 and worked as the deputy chief and the chief of our equipment department from July 1994 to June 2000, and assistant to the general manager of Chuanmei Mirabilite from June 2000 to July 2004. He was appointed as the deputy general manager and director of Chuanmei Mirabilite in July 2004 and the technical director of Top Promise in January 2007. In the three years preceding the Latest Practicable Date, Mr. Li Xudong did not hold any directorship in listed public companies or any major appointments. He was appointed as an executive Director on February 1, 2008.

Non-executive Directors

SUO LANG Duo Ji (索郎多吉), aged 46, is the founder, chairman, a non-executive Director and a Controlling Shareholder of our Company. Mr. Suolang Duoji entered the thenardite industry through his indirect investment in Chuanmei Mirabilite through Sichuan Huatuo in 2004. Since then, Mr. Suolang Duoji has been providing strategic business guidance for Chuanmei Mirabilite, including the procurement of the GMP Certification and the production of specialty thenardite. Mr. Suolang Duoji has also been instrumental in the establishment of Chuanmei Glauber Salt and the making of key decisions of our Company through its inception, design, planning, construction and implementation. Mr. Suolang Duoji completed a postgraduate course in Enterprise Administration from Sichuan University (四川大學) in 2001 and a postgraduate course in Management Science and Engineering from University of Electronic Science and Technology of Sichuan (電子科技大學) in 2004. He is a senior engineer and senior economist. Mr. Suolang Duoji has been a part-time professor in the College of Economics and Management of Sichuan Normal University (四川師範大學) from 2006 and an adjunct professor in Sichuan Fine Arts Institute (四川美術學院) from 2005, respectively. Mr. Suolang Duoji has been a member of Zigong Committee of National Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議 四川自貢市委員會) since 2003 and the deputy chairman of the third council of Zigong Overseas Friendship Association (自貢海外聯誼會) from 2005 onwards. Mr. Suolang Duoji is the chairman of Top Promise and the chairman of Haton Polymer & Fibre Corp, which is engaged in the production and development of PPS resin, PPS compounds and PPS fibre. See "Controlling, Substantial, and Selling Shareholders — Other Businesses of the Controlling Shareholder" for further details. In the three years preceding the Latest Practicable Date, Mr. Suolang Duoji did not hold any directorship in listed public companies. He was appointed as a non-executive Director on January 2, 2008.

ZHANG Songyi (張頌義), aged 53, is a non-executive Director. Mr. Zhang Songyi joined our Group in January 2007. Mr. Zhang Songyi is experienced in corporate finance and mergers and acquisitions. Mr. Zhang Songyi served as a director of Suntech Power Holdings Co. Ltd., a company listed on the New York Stock Exchange, and currently serves in senior management and advisory capacities in several companies, including acting as the chairman of Mandra Capital, a senior advisor of Morgan Stanley Asia Limited, a director of SINA Corporation, a company listed on the Nasdaq Stock Market, and an independent non-executive director of Hong Kong Energy (Holdings) Limited, a company listed on the Hong Kong Stock Exchange. Prior to joining our Group, Mr. Zhang Songyi served as a managing director of Asia Merger, Acquisition and Divestiture Group, and the co-head of Asia Resources and Infrastructure Group of Morgan Stanley Asia Limited, and a senior associate of Milbank, Tweed, Hadley & McCloy LLP. Mr. Zhang Songyi obtained a Juris Doctor degree from Yale

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University in 1985. He was appointed as a non-executive Director on January 2, 2008. Save as disclosed above, in the three years preceding the Latest Practicable Date, Mr. Zhang Songyi did not hold any directorship in listed public companies or any major appointments.

WANG Chun Lin (王春林), aged 57, is a non-executive Director. Mr. Wang Chun Lin joined our Group in January 2007. Mr. Wang Chun Lin is experienced on corporate governance in the management structures and internal control procedures. Mr. Wang Chun Lin served as the chairman and an executive director of Temujin International Investments Limited (formerly known as Everest International Investments Limited), a company listed on the Stock Exchange until January 2007. During his term of appointment in Temujin International Investments Limited, he gained experience in investing in various companies, including a company principally engaged in the design, development and sales of telecommunications products and computer technology products. Mr. Wang Chun Lin obtained a bachelor degree in Computer Science from Fudan University (復旦大學) in 1977. He was appointed as a non-executive Director on January 2, 2008. Save as disclosed above, in the three years preceding the Latest Practicable Date, Mr. Wang Chun Lin did not hold any directorship in listed public companies or any major appointments.

Independent non-executive Directors

KEEN Patrick Logan, aged 59, is an independent non-executive Director. Mr. Keen has over 30 years of business experience in Hong Kong and Greater China. He is the co-founder of the ChinaVest Private Equity Group and has been the managing director/partner of various investment funds in Greater China, including ChinaVest NV, TaiwanVest NV, ChinaVest II, ChinaVest IV and ChinaVest V. He served as the director of various portfolio companies, including AsiaInfo Holdings Limited, a company listed on the Nasdaq Stock Market, Prime Credit Limited and Tait Asia Limited, which are both private companies. Mr. Keen has been the member of the Fund Investment Committee and the chief financial officer of the ChinaVest Private Equity Group since 1985. Prior to co-founding the ChinaVest Private Equity Group, Mr. Keen worked as the chief financial officer of Dallas Pacific Limited, which was a private company, from 1981 to 1985 and worked for First National Bank in Dallas, a subsidiary of the First International Bancshares Inc., which was listed on the New York Stock Exchange, from 1973 to 1981 with the last position as the vice president of marketing and credit. Mr. Keen is a fellow of the Hong Kong Institute of Directors. Mr. Keen obtained a bachelor degree of Business Administration and a master degree of Business Administration from The University of Texas at Austin in 1971 and 1973, respectively. He was appointed as an independent non-executive Director on May 25, 2009. Save as disclosed above, in the three years preceding the Latest Practicable Date, Mr. Keen did not hold any directorship in listed public companies.

KOH Tiong Lu, John (許忠如), aged 53, is an independent non-executive Director. Mr. Koh Tiong Lu, John has over 25 years of experience in investment banking and law. From 1999 to 2006, he was a managing director and a senior advisor to The Goldman Sachs Group. Prior to joining The Goldman Sachs Group, Mr. Koh spent 18 years as a lawyer at Paul Weiss Rifkind Wharton & Garrison LLP, Milbank Tweed Hadley & McCloy LLP, J. Koh & Co, a Singapore law firm founded by Mr. Koh Tiong Lu, John, and the Singapore Attorney General's office. Mr. Koh Tiong Lu, John has served as a member of the Economic Review Committee's sub-committee on Service Industries in Singapore. He is also chairman of the Audit Committee of the Board of Directors of NSL Ltd (formerly known as Natsteel Ltd), a publicly traded Singapore conglomerate, chairman of the Investment Committee and a director of the Mapletree Industrial Fund Ltd. and a director of Mandra Forestry Finance Limited, which are both private companies. Mr. Koh Tiong Lu, John holds a degree of Bachelor of Arts and a degree of Master of Arts from University of Cambridge and is a graduate of Harvard Law School. He was appointed as an independent non-executive Director on May 25, 2009. Save as disclosed above, in the three years preceding the Latest Practicable Date, Mr. Koh did not hold any directorship in listed public companies.

WONG Chun Keung (王振強), aged 39, is an independent non-executive director. Mr. Wong Chun Keung is a practicing barrister in Hong Kong. He obtained a degree of Bachelor of Science and a degree of Master of Business Administration from the University of Hong Kong in 1991 and 1998 respectively. He also

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holds a degree of Bachelor of Laws from the University of London and the Postgraduate Certificate in Laws from the University of Hong Kong. He was called to the Bar in Hong Kong in 2002 and was in private practice since 2003. He was appointed as an independent non-executive Director on May 25, 2009. In the three years preceding the Latest Practicable Date, Mr. Wong did not hold any directorship in listed public companies.

Senior Management

Name	Age	Group Position
Zhu Ben Yu (朱本宇)	36	Chief financial officer and company secretary
Zhu Jimin (祝季敏)	55	Mining director of our Group
Li Chunxian (李春先)	63	Chief engineer of our Group
Gou Xingwu (苟興無)	42	Human resources and purchase director of our Group
Li Hongqing (李洪清)	37	Production director of our Group
Liu Qiru (劉啟儒)	54	Deputy chief engineer of our Group
Cao Bin (曹斌)	40	Deputy general manager of Chuanmei Mirabilite and Chuanmei Glauber Salt

ZHU Ben Yu (朱本宇), aged 36, is our chief financial officer, company secretary. Mr. Zhu Ben Yu has over 10 years of experience in accounting, asset management and corporate finance, and is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Prior to joining our Company, Mr. Zhu Ben Yu worked in Ernst & Young for five years, and served as the financial controller and company secretary and qualified accountant for Topsearch International (Holdings) Limited (Stock code: 2323) and Hua Han Bio-Pharmaceutical Holdings Limited (Stock code: 587), both of which are listed on the Stock Exchange, from April 2004 to December 2004 and from November 2005 to December 2007, respectively. Mr. Zhu Ben Yu obtained a bachelor degree of Business Administration from the Chinese University of Hong Kong.

ZHU Jimin (祝季敏), aged 55, is the mining director of our Group. He is a senior economist and holds a high diploma in Economic Management from the Communist Party Institute of the Sichuan Province (中國共產黨四川省委黨校函授學院). Mr. Zhu Jimin has been working in Chuanmei Mirabilite since July 1987. He worked as Chuanmei Mirabilite's deputy mining facilities chief from July 1987 to February 1989, mining facilities chief from February 1989 to December 2006, and the deputy chief of business information department from March 1990 to June 2004. In June 2004, Mr. Zhu Jimin was appointed as the chief supervisor of Chuanmei Mirabilite and then in February 2006, he was appointed as the chairman of the board of directors of Chuanmei Mirabilite. Mr. Zhu Jimin is responsible for the overall management and supervision of the mining and operation of our Company.

LI Chunxian (李春先), aged 63, is the chief engineer of our Group. He is a senior engineer and a senior consultant in technology management and holds a bachelor degree in Non-metallic Mining from Beijing Architecture & Construction Industry College (北京建築工業學院). Mr. Li Chunxian joined Chuanmei Mirabilite in 1998 as the technical advisor to provide advice on various technical and engineering issues to our Group. From September 2004 to December 2006, he worked as the chief engineer of Chuanmei Mirabilite. In January 2007, he was appointed as the chief engineer of Top Promise. Before joining our Group, Mr. Li Chunxian was the president of Zigong Light Industry Design and Research Institute.

GOU Xingwu (苟興無), aged 42, is the human resources and purchase director of our Group. He is an engineer and holds a high diploma in Chemical Industrial Mechanics from Sichuan Luzhou Chemical Industry College (四川省瀘州化工學院). Mr. Gou Xingwu joined our Group for 20 years. He joined Chuanmei Mirabilite in 1987 and worked as the deputy head of the production department from January 1987 to December 1998, deputy factory director from December 1998 to January 2001, factory director from January 2001 to August 2004 and assistant to general manager of Chuanmei Mirabilite. In August 2004, he was appointed as the deputy

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general manager of Chuanmei Mirabilite. In December 2007, he was appointed as the deputy general manager of Chuanmei Glauber Salt.

LI Hongqing (李洪清), aged 37, is the production director of our Group. He is an engineer. He holds a bachelor degree in Business Administration from South Western University of Finance and Economics (西南財經大學) and a high diploma in Chemistry Technology and Engineering from Sichuan United University (四川聯合大學) (now known as Sichuan University (四川大學)). Mr. Li Hongqing has over 10 years experience in our production operations. Mr. Li Hongqing joined Chuanmei Mirabilite in September 1995. He worked as an operator from September 1995 to January 1996, a controller from January 1996 to October 1996, the deputy director of the thenardite production factory from November 1996 to November 2005, the director of the thenardite production factory from November 2005 to December 2007 of Chuanmei Mirabilite. In December 2007, he was appointed as the deputy general manager and the manager of production department of Chuanmei Mirabilite. In December 2007 he was appointed deputy general manager of Chuanmei Glauber Salt.

LIU Qiru (劉啟儒), aged 54, is the deputy chief engineer of our Group. He is a senior engineer and holds a high diploma in Mining from Kunming Industrial College (昆明工學院) (now known as Kunming University of Science and Technology (昆明理工大學)). Mr. Liu Qiru joined our Group for 10 years. He joined Chuanmei Mirabilite in 1997 and worked as the deputy mining chief from November 1997 to December 1999 and mining chief from December 1999 to October 2001. From October 2001 to May 2007, he worked as the head and manager of the production and technology department of Chuanmei Mirabilite. Mr. Liu Qiru was appointed as the chief engineer of Chuanmei Mirabilite and project manager for the construction of the Guangji production facility in January 2007.

CAO Bin (曹斌), aged 40, is the deputy general manager of Chuanmei Mirabilite and Chuanmei Glauber Salt. He holds a bachelor degree of Foreign Economic and Trading from Sichuan United University (四川聯合大學) (now known as Sichuan University (四川大學)). Mr. Cao Bin joined Chuanmei Mirabilite in December 2003 as the deputy manager of its sales department. He was appointed as the deputy general manager of the sales and marketing department of Chuanmei Mirabilite in December 2004 and was responsible for the sales and marketing operations of our Group. In December 2007 he was appointed deputy general manager of Chuanmei Glauber Salt.

Company Secretary

ZHU Ben Yu (朱本宇) is the company secretary of our Company. His particulars are set forth in the paragraph headed “Senior Management” above.

Board Committees

Audit Committee

Our Company established an audit committee on May 25, 2009 with effect from the Listing Date with written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are, among other things, to review and supervise the financial reporting process and internal control systems of our Company.

The audit committee is comprised of three members, namely, Mr. Patrick Logan Keen, Mr. Koh Tiong Lu John and Mr. Wong Chun Keung. They are all independent non-executive Directors. The audit committee is chaired by Mr. Patrick Logan Keen.

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Remuneration Committee

Our Company established a remuneration committee on May 25, 2009 with effect from the Listing Date. The primary duties of the remuneration committee are to evaluate and make recommendations to the Board regarding the compensation of the chief executive officer and other executive Directors. In addition, the remuneration committee conducts reviews of the performance, and determines the compensation structure of the senior management.

The current members of the remuneration committee are Mr. Wong Chun Keung, Mr. Patrick Logan Keen and Mr. Suolang Duoqi. The remuneration committee is chaired by Mr. Wong Chun Keung.

Nomination Committee

Our Company established a nomination committee on May 25, 2009 with effect from the Listing Date to make recommendations to the Board regarding candidates to fill vacancies on the Board.

The current members of the nomination committee are Mr. Koh Tiong Lu John, Mr. Wong Chun Keung and Mr. Wang Chun Lin. The nomination committee is chaired by Mr. Koh Tiong Lu John.

Compliance Adviser

Our Company has appointed Guotai Junan Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transactions, is contemplated, including share issues and share repurchases;
- where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- where the Stock Exchange makes an inquiry to us regarding unusual movements in the price or trading volume of the Shares.

The terms of the appointment shall commence on the Listing Date and end on the date which our Company distributes our annual report in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

Remuneration of Directors and Senior Management

Our Company reimburses the Directors for expenses which are necessarily and reasonably incurred for providing services to our Group or executing their functions in our Group's operations. When reviewing and determining the specific remuneration packages for the executive Directors and senior management, the remuneration committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment and services elsewhere in our Group and desirability of performance-based remuneration.

In each of the years ended December 31, 2006, 2007 and 2008, the total remuneration (comprising basic salaries, housing allowances, other allowances, pension and benefits) paid to the executive Directors was

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approximately RMB533,000, RMB2,151,000 and RMB4,502,000, respectively. The aggregate remuneration payable to the executive Directors for the year ending December 31, 2009 is estimated to be RMB2,286,000. Our Company also expects to pay the independent non-executive Directors and non-executive Directors approximately RMB440,000 and RMB3,526,000, respectively, for their services, for the year ending December 31, 2009.

There was no directors' remuneration paid to Mr. Suolang Duoqi, Mr. Zhang Songyi and Mr. Wang Chun Lin in the year ended December 31, 2006, as Mr. Suolang Duoqi was appointed as director of Rich Light and Top Promise since December 2006 while Mr. Wang Chun Lin and Mr. Zhang Songyi were appointed as directors of Rich Light in January 2007. No compensation was paid directly to Mr. Zhang Songyi in the year ended December 31, 2007.

In the year ended December 31, 2006, no contribution was made to pension plans for Mr. Zhang Daming as he is a retired employee of another entity in the PRC and no contribution was necessary.

Employees

We recognize the importance of a good relation with our employees. The remuneration payable to our employees includes salaries and allowances.

During the Track Record Period, we have not experienced any significant problems with our employees or disruption to our operations due to labor disputes, nor has we experienced any difficulties in our recruitment and retention of experienced staff. Our Directors believe that we have a good working relationship with our employees.

Share Option Schemes

Pre-IPO Share Option Scheme

We have conditionally adopted the Pre-IPO Share Option Scheme on April 30, 2008. See “Appendix VII — Statutory and General Information — Pre-IPO Share Option Scheme”. The purpose of this scheme is to recognize the contributions made by certain of our Directors, senior managerial staff and employees and to retain those persons whose contributions are important to our long-term growth and profitability.

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As at the Latest Practicable Date, we granted options exercisable into 76,000,000 Shares under the Pre-IPO Share Option Scheme to 198 grantees including our Directors, senior managerial staff and employees, giving the right to these grantees to subscribe for Shares at the Offer Price in four phases in the following manner:

(A) For grantees who have joined our Company for not less than one calendar year as of the Listing Date

<u>Exercise Period</u>	<u>Maximum number of options exercisable</u>
Any time from the 15 th business day after the Listing Date until the 1 st anniversary of the Listing Date	1 st phase options, being up to half of the total number of options granted
Any time after the 1 st anniversary of the Listing Date until the 2 nd anniversary of the Listing Date	2 nd phase options, being up to two-thirds of the total number of options granted less the number of options already exercised
Any time after the 2 nd anniversary of the Listing Date until the 3 rd anniversary of the Listing Date	3 rd phase options, being up to five-sixths of the total number of options granted less the number of options already exercised
Any time after the 3 rd anniversary of the Listing Date until expiry of the validity period of the relevant options	4 th phase options, being such number of options granted less the number of options already exercised

(B) For grantees who have joined our Company for less than one calendar year as of the Listing Date

<u>Exercise Period</u>	<u>Maximum number of options exercisable</u>
Any time after the 1 st anniversary of the Listing Date until the 2 nd anniversary of the Listing Date	1 st phase options, being up to half of the total number of options granted
Any time after the 2 nd anniversary of the Listing Date until the 3 rd anniversary of the Listing Date	2 nd phase options, being up to two-thirds of the total number of options granted less the number of options already exercised
Any time after the 3 rd anniversary of the Listing Date until the 4 th anniversary of the Listing Date	3 rd phase options, being up to five-sixths of the total number of options granted less the number of options already exercised
Any time after the 4 th anniversary of the Listing Date until expiry of the validity period of the relevant options	4 th phase options, being such number of options granted less the number of options already exercised

The exercise of these options would entitle these persons to purchase an aggregate of 76,000,000 Shares, representing (i) approximately 4.0% of our issued share capital immediately following completion of the Global Offering (but not taking into account any Shares which may be allotted and issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Share Option Scheme) and (ii) 3.8% of our issued share capital immediately following completion of the Global Offering and assuming that all the options granted under the Pre-IPO Share Option Scheme are exercised at the same time (but not taking into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme).

Assuming that all the outstanding options granted under the Pre-IPO Share Option Scheme were exercised in full on the Listing Date, and assuming the Global Offering was completed on January 1, 2009, the shareholding interest of the public would be changed from 30.0% to approximately 28.9% of our total issued share capital and the unaudited pro forma forecast earnings per Share for the year ending December 31, 2009 would be reduced from RMB0.26 to RMB0.25, assuming that the Over-allotment Option is not exercised (but not

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taking into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme).

Our total share-based payment expenses for the year ending December 31, 2009 in respect of the options granted under the Pre-IPO Share Option Scheme are estimated to be approximately RMB13,607,000.

The Directors have agreed not to exercise their options if such exercise of any part or parts of which will result in public float levels dropping below 25% of our issued share capital from time to time.

Share Option Scheme

We have conditionally adopted the Share Option Scheme on May 26, 2009. The purpose of this scheme is to provide the people and the parties working for the interests of our Group with an opportunity to obtain an equity interest in our Company, thus linking their interest with the interest of our Group and thereby providing them with an incentive to work better for the interest of our Group. See “Appendix VII — Statutory and General Information — Share Option Scheme”.

Provident Fund

Hong Kong

We provide a mandatory provident fund scheme for our staff employed by Top Promise pursuant to the Mandatory Provident Fund Schemes Ordinance.

Under the mandatory provident fund scheme, we and the staffs employed by Top Promise have to contribute an amount equal to 5% of the relevant income (including wages, salaries, leave pay, fees, commissions, bonuses, gratuity perquisites and allowances, but excluding housing allowances or housing benefits) of such staff to the mandatory provident fund scheme, subject to a minimum and maximum level of the monthly relevant income of HK\$5,000 and HK\$20,000, respectively.

PRC

We have made contributions to pension funds and housing funds for our employees in compliance with local policies and regulations in the PRC. Each member of our Group established in the PRC has obtained confirmations from the relevant competent local labor bureaus and housing funds authorities, which are delegated to implement the relevant national and local labor laws and regulations, that we have made the requisite pension funds and housing funds contributions in compliance with the requirements of both the national and the local laws and regulations as at December 31, 2008. Our PRC legal counsel, Grandall Legal Group (Shanghai), has confirmed that the confirmations issued by the above authorities are appropriate and in full compliance with the applicable national and local laws and regulations.

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Substantial Shareholders

So far as our Directors are aware, immediately following completion of the Global Offering (without taking into account (1) any Shares which may be allotted and issued or transferred pursuant to the exercise of (i) the Over-allotment Option; (ii) options granted under the Pre-IPO Share Option Scheme; or (iii) any options that may be granted under the Share Option Scheme and (2) the arrangement among Mr. Suolang, Nice Ace and Investec Bank), the following persons will have interests or short positions in any Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

Interests in our Company

(i) Long position in the Shares

Name of Shareholder	Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Nice Ace ⁽¹⁾	Beneficial owner	828,864,400	43.1%
Mr. Suolang Duoqi ⁽²⁾	Interest of a controlled corporation	828,864,400	43.1%
Mandra Mirabilite ⁽³⁾	Beneficial owner	266,238,000	13.8%
Woo Foong Hong ⁽⁴⁾	Interest of a controlled corporation	266,238,000	13.8%
Moonchu ⁽⁵⁾	Interest of a controlled corporation	266,238,000	13.8%

Notes:

(1) Nice Ace, a limited liability company incorporated in the BVI, is wholly owned by Mr. Suolang Duoqi.

(2) Mr. Suolang Duoqi is deemed to have an interest in the 828,864,400 Shares held by Nice Ace under the provisions of the SFO.

(3) Mandra Mirabilite, a limited liability company incorporated in the BVI, is wholly owned by Woo Foong Hong.

(4) Woo Foong Hong, a limited liability company incorporated in the BVI, is wholly owned by Moonchu and is deemed to have an interest in the 266,238,000 Shares held by Mandra Mirabilite under the provisions of the SFO.

(5) Moonchu, a tax-exempt charity established by Mr. Zhang Songyi and his family, holds the entire share capital of Woo Foong Hong which in turn held the entire issued share capital of Mandra Mirabilite. Moonchu is deemed to have an interest in the 266,238,000 Shares held by Mandra Mirabilite under the provisions of the SFO.

(ii) Short position in the Shares

Name of Shareholder	Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Nice Ace	Beneficial owner	55,714,286	2.9%
Mr. Suolang Duoqi	Interest of a controlled corporation	55,714,286	2.9%

Note:

On November 11, 2008, Mr. Suolang Duoqi and Nice Ace entered in to a loan agreement with Investec Bank, pursuant to which Investec Bank may in its sole discretion, take delivery of the 55,714,286 Shares currently owned by Nice Ace after Listing in lieu of cash repayment of the loan if our Company completes an initial public offering within 18 months after the drawdown date. If Investec Bank elects to take delivery of the Shares, the percentage holding of Nice Ace will decrease accordingly. See "History, Reorganization and Corporate Structure — Loan Agreement between Mr. Suolang and Investec Bank".

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Interests in Chuanmei Mirabilite

Name	Approximate Percentage of Equity Interest
Sichuan First	10%

Save as disclosed above, the Directors are not aware of any other person who will, immediately following the completion of the Global Offering and taking no account of (1) any Shares which may be allotted and issued or transferred pursuant to the exercise of (i) the Over-allotment Option; (ii) options granted under the Pre-IPO Share Option Scheme, or (iii) any options which may be granted under the Share Option Scheme and (2) the arrangement among Mr. Suolang, Nice Ace and Investec Bank, have beneficial interests or short positions in any Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

Selling Shareholders

Name	Number of Shares Sold
Nice Ace	142,142,000
Mandra Mirabilite	7,362,000
AAA Mining	3,346,000
Mandra Esop	7,361,000
Credit Suisse International, one of the Warrant Holders ⁽¹⁾	11,041,000
Credit Suisse, Singapore Branch, one of the Warrant Holders	1,948,000

Note:

(1) Pursuant to certain sub-participation agreements and credit default swap arrangements, Credit Suisse International is selling these Shares on behalf of itself and the Financial Investors. At or about the time of the Listing, 49,811,400 Shares held by Credit Suisse International on behalf of the Financial Investors will be transferred to the Financial Investors, and upon the completion of such transfer, each Financial Investor will not hold more than 1% of the enlarged issued share capital of our Company.

Controlling Shareholder

Immediately following the completion of the Global Offering, Mr. Suolang Duoqi will, through his shareholding in Nice Ace, own approximately 43.1% of the post offering enlarged issued share capital of our Company (assuming the Over-allotment Option, any options granted under the Pre-IPO Share Option Scheme and options that may be granted under the Share Option Scheme are not exercised and without taking into account of the arrangement among Mr. Suolang, Nice Ace and Investec Bank) and hence will continue to be the Controlling Shareholder of our Company.

Mr. Suolang Duoqi, being the Controlling Shareholder, will in effect be able to control the management, policies and business of our Company subject to the Memorandum and Articles of Association and applicable laws and regulations. He will be able to exercise significant influence over the composition of the Board, the selection of the senior management, the timing and amount of the dividend payments, the annual budget and other important corporate transactions of our Group.

Save as disclosed in the section headed “Controlling, Substantial and Selling Shareholders — Financial independence” and elsewhere in this prospectus, as of the Latest Practicable Date, there was no amount due to or from our Group and Mr. Suolang Duoqi or his affiliates, and save and except the guarantee and indemnity, being item (25) of the “Summary of material contracts” in Appendix VII to this prospectus, there were not any

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guarantees or indemnities provided by Mr. Suolang Duoqi and his affiliates for the benefit of our Group. The Directors believe that our Group is able to maintain financial independence from Mr. Suolang Duoqi and his affiliates.

Other Businesses of the Controlling Shareholder

As of the Latest Practicable Date, apart from his interest in our Group, Mr. Suolang Duoqi, has a controlling interest in Haton.

The principal businesses of Haton are the production and development of PPS resin, PPS compounds and PPS fibre, which are primarily used in the electrical/electronic, automotive and mechanical/industrial environmental protection industries, and are distinctly different and are not related to the businesses of our Group. As such, there is generally no competition between our Group's and Haton's businesses. Mr. Suolang Duoqi has also confirmed that, as of the Latest Practicable Date, Haton does not carry on or participate in any business which is or may be in competition with the businesses of our Group.

Mr. Suolang Duoqi is not engaged in any other business which is or may be in competition with the businesses of our Group.

Independence of Our Group from the Controlling Shareholder

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from the Controlling Shareholder and his associates after the Global Offering.

Management independence

The Board comprises three executive Directors, three non-executive Directors and three independent non-executive Directors. Our non-executive Director and chairman, Mr. Suolang Duoqi and two non-executive Directors, Mr. Zhang Songyi and Mr. Wang Chun Lin are also directors of Haton, a company controlled by Mr. Suolang Duoqi.

Our Directors confirm that, as of the Latest Practicable Date, Mr. Suolang Duoqi, Mr. Zhang Songyi and Mr. Wang Chun Lin receive a monthly director's fee of HK\$100,000, nil and HK\$50,000 from Haton, respectively. Save as disclosed above, none of our Directors will be on the payroll of Haton after the Global Offering.

Mr. Suolang Duoqi, being our non-executive Director and chairman, is responsible for the overall strategic direction of our Group. Mr. Zhang Songyi has extensive experience in investment banking and is capable of providing significant contributions to our Group in respect of corporate finance and mergers and acquisitions activities. Mr. Wang Chun Lin had previously served as the chairman and executive director of a Hong Kong listed company and is experienced in corporate governance and internal control of listed companies.

Mr. Suolang Duoqi, the chairman, an executive director and a controlling shareholder of Haton, is responsible for the overall strategy of Haton and the management of the board. Mr. Zhang Songyi, a non-executive director and a substantial shareholder of Haton, is responsible for the corporate finance matters and mergers and acquisition activities of Haton. Mr. Wang Chun Lin, the vice chairman, an executive director and an indirect shareholder of Haton, is responsible for the corporate governance and internal control matters of Haton and assisting Mr. Suolang Duoqi in the management of the board. In the event there are conflicts of interests for approving a proposed transaction due to the dual directorship held by Mr. Suolang Duoqi, Mr. Zhang Songyi and Mr. Wang Chun Lin at our Company and Haton, they shall, pursuant to the relevant provisions of (i) the Articles of Association and (ii) the articles of association of Haton, abstain from physical meetings and shall not form the relevant quorum in the relevant board meetings of our Company and Haton for approving such

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transaction. Besides, such transaction shall also require the approval by our independent non-executive Directors so as to ensure that the best interests of our Company are being served.

Save as disclosed above, our Directors confirm that they do not hold any directorship in Haton.

Messrs. Suolang Duoji, Zhang Songyi and Wang Chun Lin are all non-executive Directors and will not be involved in our Group's daily operations. However, in order to discharge their duties (including fiduciary duties and duties of skill, care and diligence) as Directors of our Company, each of these three non-executive Directors confirms and undertakes that he shall allocate approximately 20% of his time or resources to discharge all his aforementioned duties as a non-executive Director of our Company. In the event that there is a potential conflict of interest arising out of any transaction to be entered into among our Group, Mr. Suolang Duoji, Mr. Zhang Songyi and Mr. Wang Chun Lin and his affiliates and/or any Director or their respective affiliates, the interested Director shall abstain from physical meeting and voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

Having considered the above factors, the Directors are satisfied that the management team of our Company is able to perform its role in our Company independently, and our Directors are of the view that our Company is capable of managing its businesses independently from Mr. Suolang Duoji and his affiliates.

Operational independence

(i) Independent access to sources of raw materials for production

Our major suppliers are coal and packaging materials providers, which are all accessible independently from our Controlling Shareholders. We do not rely on our Controlling Shareholders or their associates for the provision of such raw materials.

(ii) Independence of production, operation capabilities and clientele

We hold all relevant licenses and assets necessary to operate our businesses, and we have sufficient capital and employees to operate our business independently.

We have not entered into any lease arrangements which will continue upon the Listing with the Controlling Shareholders or entities controlled by either or both of them. No reliance will be made on our Controlling Shareholders in leasing properties for our operations. No service and facilities will be provided by the Controlling Shareholders and/or their associates to us for our operations and as such, we are able to operate independently from the Controlling Shareholders after Listing.

We also have independent access to our customers including domestic end users in powder detergents, glass, textiles and other industries as well as wholesale companies, which are independent from the Controlling Shareholders and their associates. For procuring potential new customers, we have established our own sales and marketing team which is able to operate independently from the Controlling Shareholders and their associates. Our Company independently manages its own sourcing, marketing, distribution and customer relationship operations, and does not rely on the Controlling Shareholders and their associates for access to customers.

Financial independence

Prior to the Listing, Mr. Suolang Duoji, Nice Ace, AAA Mining, Mandra Esop and Mandra Mirabilite, all being our Connected Persons, have provided certain provisions of financial assistance to our Company (as such

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term is defined under Rule 14A.13(2)(b) of the Listing Rules, hereinafter the “Finance Assistance”) set out below:

- (i) according to the Facility Agreement, the following security documents have been entered into to secure all obligations of our Company and other relevant parties owing under the Facility Agreement, the said security documents and the Instrument Constituting Warrant upon the terms and subject to the conditions contained therein: (i) continuing guarantees and indemnities provided by Nice Ace, AAA Mining, Asia Coal Bed and Mandra Mirabilite; (ii) continuing guarantees and indemnities provided by our Company, Rich Light and Top Promise; (iii) a share charge over our Company provided by Nice Ace, AAA Mining, Mandra Esop and Mandra Mirabilite; (iv) a share charge over Rich Light provided by our Company; (v) a share charge over Top Promise provided by Rich Light; (vi) an equity pledge over Chuanmei Mirabilite provided by Top Promise; (vii) an equity pledge over Chuanmei Glauber Salt provided by Top Promise; (viii) an assignment of loan owing to our Company by Top Promise; (ix) a subordination and assignment deed for indebtedness owing to Mr. Suolang Duoqi by Top Promise; (x) charges over the accounts in Hong Kong and Singapore; and (xi) charges over the accounts of Top Promise; and
- (ii) Mr. Suolang Duoqi has advanced a loan to Top Promise which has been charged and assigned, by way of security, to the security agent under the Facility Agreement in terms of the said subordination and assignment deed.

On May 7, 2009, Top Promise entered into a loan agreement with China Sun Fund whereby China Sun Fund made available to Top Promise a HK\$145.0 million offshore loan for three years from the initial drawdown date. On May 8, 2009, Top Promise and China Sun Fund entered into a subordination and assignment deed for such offshore loan to further secure our obligations under the Facility Agreement. With the consent of the Facility Lenders, by May 8, 2009, Top Promise repaid the indebtedness it owed to Mr. Suolang Duoqi in the aggregate amount of HK\$137.8 million, which includes the amount of the loan mentioned in paragraph (ii) above, with the proceeds of an offshore loan with China Sun Fund. No special right was provided to China Sun Fund under the loan arrangement. Upon the Listing, our Company will repay a portion of the outstanding loans owed under the Facility Agreement with the listing proceeds. Since there is a mandatory prepayment provision contained in the Facility Agreement which stipulates that if any member of our Group receives any net proceeds from any issuance of debt or equity securities of our Group or insurance claim, the commitment of each lender of the Facility Agreement shall be reduced rateably by mandatory early prepayment of loans, together with all accrued interest thereon and any break cost relating thereto, and such net proceeds shall be paid into a prepayment account (as defined in the Facility Agreement) pending application of mandatory early prepayment. In view of the above requirements, Mr. Suolang Duoqi, Nice Ace, AAA Mining, Mandra Esop, Mandra Mirabilite and the Joint Global Coordinators will arrange for setting up an escrow account with a licensed bank designated by the Joint Global Coordinators for receiving the net listing proceeds and complying with the requirements of mandatory early prepayment provided in the Facility Agreement.

On September 11, 2008, Credit Suisse, Singapore Branch (as security agent) executed a deed of partial release in favor of Nice Ace pursuant to which Credit Suisse, Singapore Branch released the charge over 26,600,000 Shares by Nice Ace. Such Shares were subsequently sold to OSSF Capital on the same date.

The continuing guarantees and indemnities provided by Nice Ace, AAA Mining, Asia Coal Bed and Mandra Mirabilite, share charge over our Shares provided by Nice Ace, AAA Mining, Mandra Esop and Mandra Mirabilite, share charge over Rich Light provided by us, share charge over Top Promise provided by Rich Light, equity pledge over Chuanmei Mirabilite provided by Top Promise and equity pledge over Chuanmei Glauber Salt provided by Top Promise will be released immediately prior to the Listing as our Company will repay a portion of the outstanding loans under the Facility Arrangements with the proceeds from the Global Offering. The continuing guarantees and indemnities provided by us, Rich Light and Top Promise, a subordination and assignment deed for

CONTROLLING, SUBSTANTIAL AND SELLING SHAREHOLDERS

indebtedness owing to China Sun Fund by Top Promise, charges over our accounts in Hong Kong and Singapore, charges over the accounts of Top Promise and assignment of loan owing to us by Top Promise (collectively, the “Residual Finance Assistance”) will remain effective after the Listing. Since all Finance Assistance (other than the Residual Finance Assistance which shall not constitute our continuing connected transactions under Chapter 14A of the Listing Rules) will be released immediately prior to the Listing, no application for waiver for such continuing connected transactions under Chapter 14A of the Listing Rules is made to the Stock Exchange.

The Warrant Holders exercised their Warrants in full and the legal and beneficial ownership over the 111,993,600 Shares was transferred from Nice Ace to the Warrant Holders on May 14, 2009. The effective price per Share for the Warrant Shares was nil. See “Appendix VIII — Principal Terms and Conditions of the Warrants”.

Our Directors confirm that, our Company is financially independent from Mr. Suolang Duoqi and Haton upon the Listing. All outstanding loans and non-trade payables owed to and from, and/or outstanding financial guarantees or indemnities provided by Mr. Suolang Duoqi and his affiliates have been settled before the Listing and the Directors do not expect our Group to be financially dependent on Mr. Suolang Duoqi after the Listing.

Our Directors believe that our Group is able to obtain further financing such as bank loans, if necessary, upon market terms and conditions without relying further on the financial assistance from Mr. Suolang Duoqi and his affiliates after the Listing. Certain PRC banks, for instance, have granted our Company credit lines without requiring assistance from the Controlling Shareholders or their associates as a pre-condition.

Our Directors also confirm that our Group carried out all its essential administrative operations, such as cash and accounting management, invoicing and billing and other financial and management control systems independently from Mr. Suolang Duoqi and his affiliates. We have established our own accounting, financial and treasury departments independent from Mr. Suolang Duoqi and his associates. See “Business — Compliance”.

Each of the Controlling Shareholders, has provided a non-disposal undertaking to the Stock Exchange and our Company, detailed terms of which are set out in the section headed “Underwriting — Undertakings to the Stock Exchange pursuant to the Listing Rules” in this prospectus.

Non-competition Undertaking

Each of Mr. Suolang Duoqi and Nice Ace has entered into a deed of non-competition dated May 28, 2009 in favor of our Company, pursuant to which Mr. Suolang Duoqi and Nice Ace have undertaken to our Company (for itself and for the benefit of its subsidiaries) that he or it would not, and would procure that his or its affiliates (except any members of our Group) would not, during the restricted period set out below, directly or indirectly, either on his or its own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in, acquire or hold (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which is or may be in competition with the business of any member of our Group from time to time. Such non-competition undertaking does not apply where Mr. Suolang Duoqi and Nice Ace or his or its affiliates has interests in the shares of a company whose shares are listed on a recognized stock exchange provided that:

- (i) the total number of the shares held by Mr. Suolang Duoqi and Nice Ace and/or their respective affiliates in aggregate does not exceed 5% of the issued shares of that class of the company in question and Mr. Suolang Duoqi and Nice Ace and/or their respective affiliates are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another

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shareholder of that company whose shareholdings in that company is more than the total number of shares held by Mr. Suolang Duoji and Nice Ace and their respective affiliates in aggregate; and

- (ii) the total number of shares held by Mr. Suolang Duoji and Nice Ace and/or their respective affiliates shall not exceed 30% of the issued share capital of that company.

Under this deed of non-competition, Mr. Suolang Duoji and Nice Ace further undertake to our Company that:

- (i) Mr. Suolang Duoji and Nice Ace shall allow, and shall procure that the relevant associates (excluding us) to allow, the independent non-executive Directors to review, at least on an annual basis, Mr. Suolang Duoji and Nice Ace compliance with the deed of non-competition;
- (ii) Mr. Suolang Duoji and Nice Ace shall provide all information necessary for the annual review by the independent non-executive Directors and the enforcement of the deed of non-competition;
- (iii) our Company shall disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the deed of non-competition either through the annual report, or by way of announcement to the public; and
- (iv) Mr. Suolang Duoji and Nice Ace shall provide to our Company with a confirmation annually for inclusion by our Company in its annual report, in respect of their compliance with the terms of the deed of non-competition.

The “restricted period” stated in the deed of non-competition refers to the period commencing from the date of the deed of non-competition and shall expire on the earlier of (i) the first anniversary of the date on which Mr. Suolang Duoji and Nice Ace cease to have any interest in the issued share capital of our Company; and (ii) the date on which the Shares cease to be listed on the Stock Exchange.

All Directors confirmed that they do not engage in any business which competes, or is likely to compete, directly or indirectly, with our Company’s business.

CONTROLLING, SUBSTANTIAL AND SELLING SHAREHOLDERS

Selling Shareholders

The particulars of each of the Selling Shareholders are set out below (assuming that the Over-allotment Option is not exercised):

Name:	Nice Ace Technology Limited
Place of Incorporation:	British Virgin Islands
Date of Incorporation:	March 20, 2007
Registered Office:	Portcullis TrustNet (BVI) Limited Portcullis TrustNet Chambers P.O. Box 3444 Road Town, Tortola British Virgin Islands
Shares sold:	142,142,000 Shares

Name:	Mandra Mirabilite Limited
Place of Incorporation:	British Virgin Islands
Date of Incorporation:	November 21, 2006
Registered Office:	Portcullis TrustNet (BVI) Limited Portcullis TrustNet Chambers P.O. Box 3444 Road Town, Tortola British Virgin Islands
Shares sold:	7,362,000 Shares

Name:	AAA Mining Limited
Place of Incorporation:	British Virgin Islands
Date of Incorporation:	May 18, 2007
Registered Office:	Portcullis TrustNet (BVI) Limited Portcullis TrustNet Chambers P.O. Box 3444 Road Town, Tortola British Virgin Islands
Shares sold:	3,346,000 Shares

Name:	Mandra Esop Limited
Place of Incorporation:	British Virgin Islands
Date of Incorporation:	January 8, 2008
Registered Office:	Portcullis TrustNet Chambers P.O. Box 3444 Road Town, Tortola British Virgin Islands
Shares sold:	7,361,000 Shares

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Name:	Credit Suisse International
Place of Incorporation:	United Kingdom
Date of Incorporation:	May 9, 1990
Registered Office:	One Cabot Square London E14 4QJ England
Shares sold:	11,041,000 Shares
Name:	Credit Suisse, Singapore Branch
Place of Registration:	Singapore
Date of Registration:	March 8, 1973
Address:	1 Raffles Link #03/#04-01 South Lobby Singapore 039393
Shares sold:	1,948,000 Shares

SHARE CAPITAL

The authorized and issued share capital of our Company are as follows:

Authorized share capital

	<u>Authorized share capital:</u>
	US\$
5,000,000,000 Shares	50,000

Issued and to be issued, fully paid or credited as fully paid

Our Company's share capital immediately following completion of the Global Offering will be as follows:

<u>Number of Shares</u>	<u>US\$</u>	<u>Approximate percentage of issued share capital</u>
1,520,000,000 Shares in issue at the date of this prospectus	15,200.0	79.0%
<i>Shares to be issued pursuant to the Global Offering</i>		
346,280,000 Shares — under the International Placing (subject to reallocation)	3,462.8	18.0%
57,720,000 Shares — under the Hong Kong Public Offering (subject to reallocation) ...	577.2	3.0%
1,924,000,000 Total Shares	<u>19,240</u>	<u>100.0%</u>

According to Rule 8.08 of the Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 25% of our Company's issued share capital in the hands of the public.

(1) Assumptions

The above table assumes that the Global Offering becomes unconditional and will be completed in accordance with the relevant terms and conditions. It, however, takes no account of (i) any Shares which may be allotted and issued upon the exercise of the options which were granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Share Option Scheme, or (ii) of any Shares which may be allotted and issued, or repurchased by our Company pursuant to the Issuing Mandate and Repurchase Mandate as described below.

(2) Ranking

The Offer Shares will rank pari passu in all respects with all other Shares in issue or to be issued as mentioned in this prospectus and will qualify for all dividends or other distributions declared, made or paid on the Shares after the date of this prospectus.

(3) Issuing Mandate

The Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares with a total nominal value of not more than the sum of:

- (a) 20% of the aggregate nominal amount of our Company's issued share capital immediately following the completion of the Global Offering, excluding any Shares that may fall to be issued and allotted pursuant to the exercise of the options which were granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Share Option Scheme; and

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- (b) the total nominal amount of our Company's issued share capital repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares (as referred to below).

The above mandate will expire:

- (i) at the conclusion of our Company's annual general meeting; or
- (ii) at the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any other applicable laws of the Cayman Islands to be held; or
- (iii) at the time when such mandate is revoked, varied or renewed by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this Issuing Mandate, see the paragraph headed "Written resolutions of our Shareholders passed on April 25, 2008 and the resolutions passed at the EGM on May 26, 2009" in Appendix VII to this prospectus.

(4) Repurchase Mandate

Our Directors have been granted the repurchase mandate, which is a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue and to be issued immediately following completion of the Global Offering, excluding any Shares that may fall to be issued and allotted pursuant to the exercise of the options which were granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Share Option Scheme.

This mandate relates only to repurchase made on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed/and which is recognized by the SFC and the Stock Exchange for this purpose), and which are made in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed "Repurchase of Shares by our Company" in Appendix VII to this prospectus.

The repurchase mandate will expire:

- (i) at the conclusion of our Company's next annual general meeting; or
- (ii) at the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any other applicable laws of the Cayman Islands to be held; or
- (iii) at the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this repurchase mandate, see the paragraph headed "Written resolutions of our Shareholders passed on April 25, 2008 and the resolutions passed at the EGM on May 26, 2009" in Appendix VII to this prospectus.

SHARE CAPITAL

(5) Share Option Scheme

Our Company has conditionally approved and adopted the Share Option Scheme. A summary of the principal terms of the Share Option Scheme is set out in the paragraph titled “Share Option Scheme” in Appendix VII to this prospectus.

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You should read this section in conjunction with our audited consolidated financial statements, including the notes thereto, set forth in “Appendix I — Accountants’ Report of Lumena Resources Corp.” to this prospectus. The financial statements have been prepared in accordance with IFRS.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current condition and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether actual outcome and developments will meet our expectations and predictions depends on a number of factors over which we have no control. You should review the section headed “Risk Factors” in this prospectus for discussion of important factors that could cause our actual results to differ materially from the results described in or implied by forward-looking statements.

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%.

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 production capacity from 0.6 million tpa to 1.6 million tpa as of November 1, 2008. We intend to complete the 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. See “Future Plans and Use of Proceeds”.

BASIS OF PRESENTATION

Our Company was incorporated on April 12, 2007 as an exempted company with limited liability under the Companies Law of Cayman Islands in preparation for a listing of our Shares. As a result of the Reorganization, our Company became the holding company of all our subsidiaries. See “History, Reorganization and Corporate Structure”.

As our Company and Subsidiaries were under continuous common control by Mr. Suolang Duoqi for the Track Record Period, the financial information was prepared on the basis as if the Company had been the holding company of the Group from the beginning of the Track Record Period. The financial information presents the consolidated results, cash flow and financial position of the Group as if the Company had been in existence throughout the Track Record Period and the current Group structure had been in place as of the earliest period presented, or since the effective date of incorporation of the companies had they not been in existence at the beginning of the Track Record Period.

FINANCIAL INFORMATION

Our consolidated income statements, cash flow statements and statements of changes in equity for the years ended December 31, 2006, 2007 and 2008 include the financial information of our Company and subsidiaries as if our Company had been in existence throughout the Track Record Period and as if the current organizational structure had been in place as of the earliest period presented, or since the effective date of incorporation of the companies if they were not in existence as of those dates. Our consolidated balance sheets as at December 31, 2006, 2007 and 2008 have been prepared to present the assets and liabilities of our Company and subsidiaries at these dates, as if the current organizational structure had been in existence as at these dates.

The following table sets out our income statement and other selected financial information for the periods indicated, as derived from the Accountants' Report in Appendix I to this prospectus:

	Year ended December 31,		
	2006	2007	2008
	(RMB'000, except per Share data)		
Revenue	204,755	371,530	1,140,354
Cost of sales	(112,430)	(151,295)	(343,794)
Gross profit	92,325	220,235	796,560
Other revenue and gains	4,618	5,324	3,128
Selling and distribution expenses	(24,565)	(6,912)	(11,147)
Other operating expenses	(14,429)	(69,223)	(67,878)
Repair expenses arising from earthquake	—	—	(8,280)
Operating profit	57,949	149,424	712,383
Finance costs	(7,079)	(34,521)	(98,800)
Profit before income tax	50,870	114,903	613,583
Income tax expense	(1,616)	(25,901)	(171,503)
Profit for the year	49,254	89,002	442,080
Attributable to:			
Equity holders of our Company	44,029	78,950	429,739
Minority interests	5,225	10,052	12,341
	49,254	89,002	442,080
Earnings per Share — Basic ⁽¹⁾	2.90 cents	5.19 cents	28.27 cents

Note:

(1) The calculation of basic earnings per Share attributable to the equity holders of our Company is calculated based on consolidated profit attributable to the equity holders of our Company in each of the years ended December 31, 2006, 2007 and 2008 and the 1,520,000,000 Shares which have been determined after taking into consideration of the share sub-division on April 25, 2008 and the capitalization issue as described in Section A Note 2(e) in Appendix VII of this prospectus as if the Shares were outstanding throughout the Track Record Period.

There were no dilutive potential Shares presented as its inclusion, for the purpose of this prospectus, is not considered meaningful.

FACTORS AFFECTING RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our business and historical financial condition and results of operations have been, and will continue to be, affected by a number of important factors, including the following:

Growth in traditional downstream markets in China. The traditional downstream markets for thenardite in China are detergents, textiles and glass accounting for over 75% of thenardite consumption in the year ended December 31, 2007, according to Behre Dolbear. Behre Dolbear also anticipates that these industries will remain

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the main source of demand in China for thenardite in the near future. According to Behre Dolbear, domestic thenardite consumption has expanded at an average annual rate of approximately 16% for the past seven years as China's economy has rapidly and steadily developed. With the current worldwide economic downturn, however, growth in domestic thenardite consumption has been slowing down in the key traditional downstream markets as well as in various new application areas. See "Industry Overview". In the year ended December 31, 2007 and 2008, 98.7% and 99.1% of our total revenue was derived from domestic sales, respectively.

Increased production capacity. Our revenue is dependent upon our production volume and capacity. The production volume of our thenardite products is constrained by the capacity of our thenardite mining and processing operations. We have completed construction of and commenced commercial production at our 1.0 million tpa production facility in the Guangji Mining Area, which increased our total combined production capacity to 1.6 million tpa as of November 1, 2008. This new production facility commenced pilot production in November 2007. We intend to complete construction 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 production facility of powder and specialty thenardite in Muma Mining Area in the third quarter of 2010. Our total thenardite production capacity as of and production volume for the years ended December 31, 2006, 2007 and 2008 are set out below:

	Year ended December 31,		
	2006	2007	2008
		(in tonnes)	
Thenardite mining and production capacity (tpa) as of ⁽¹⁾	500,000	1,600,000 ⁽²⁾	1,600,000 ⁽²⁾
Thenardite produced for the year ended ⁽³⁾	504,199	694,708 ⁽⁴⁾	1,516,076

Notes:

(1) Mining and production capacity represents designed capacity based on standard industry practice.

(2) In the year ended December 31, 2007 we increased the mining and production capacity from 0.5 million tpa to 1.6 million tpa. This figure includes both our production facility in the Dahongshan Mining Area with an annual production capacity of 0.6 million tpa and our production facility in the Guangji Mining Area which commenced operations in November 2007 with an annual production capacity of 1.0 million tpa.

(3) Includes powder thenardite, specialty thenardite and medical thenardite.

(4) Our production facility located in the Guangji Mining Area commenced pilot production in November 2007 and produced 90,869 tonnes in the year ended December 31, 2007.

We were able to produce more than our designed production capacity in the year ended December 31, 2006 as we operated more days than the industry standard of 300 days.

The year ended December 31, 2008 was the first full period presented where we operated at the combined production capacity of 1.6 million tpa which resulted in the production of approximately 1.5 million tonnes of thenardite. As our production facility in the Guangji Mining Area commenced pilot production in November 2007, the figure for the year ended December 31, 2007 does not include a full period of operations at a production capacity of 1.6 million tpa.

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Average selling prices. The average selling prices of our powder thenardite and medical thenardite have not been subject to significant fluctuation during the Track Record Period. The average selling prices of our products for the years ended December 31, 2006, 2007 and 2008 are set out below:

	Year ended December 31,		
	2006	2007	2008
Average Sales Price (RMB/tonne)			
Powder thenardite — domestic ⁽¹⁾	300	278	313
Powder thenardite — exports	454	379	568
Medical thenardite	1,899	1,934	1,939
Specialty thenardite	—	858	856

Note:

(1) This includes sales to distributors who then export our products.

The domestic average selling price for our powder thenardite product has decreased 7.3% from the year ended December 31, 2006 to December 31, 2007, respectively. As we included transportation costs for delivering our products to our customers in our domestic average selling prices, increased sales to customers who collected our thenardite products from our storage facilities resulted in decrease of our domestic selling prices. The domestic average selling price for our powder thenardite increased 12.6% from the year ended December 31, 2007 to the year ended December 31, 2008. This was primarily due to an increase in our coal costs and transportation costs which we were able to pass on to our customers. See “— Cost of coal”. This additional amount we charge our domestic powder thenardite customers reflects the transportation costs associated with transporting our powder thenardite from our production facility to our storage facility located near the Meishan train station. The export average selling price for our powder thenardite has decreased by 16.5% from the year ended December 31, 2006 to December 31, 2007. This decrease was primarily due to decreased transportation costs as we included transportation costs from our storage facility to export customs in our export selling price. The decrease of such transportation cost was principally a result of increased customs clearance for our exports through customs located closer to our storage facility. The export average selling price for our powder thenardite increased 49.9% from the year ended December 31, 2007 to the year ended December 31, 2008 due to an overall increase in our cost of sales and our sales to additional overseas customers at favorable average selling prices. The average selling price of our medical thenardite increased from RMB1,899 in the year ended December 31, 2006 to RMB1,939 in the year December 31, 2008. We believe that the increases of such prices were primarily due to increased attention by the State FDA to the quality of and production processes for medical thenardite in pharmaceutical products in the year ended December 31, 2006. This provided us an opportunity to increase the average selling price of our medical thenardite. As we only began sales of our specialty thenardite in November 2007, the selling prices of this product have thus far been determined on a contract by contract basis. With numerous thenardite producers expanding their production capacities, it is unlikely that prices will rise significantly, if at all, in the near future. Given the large number of high volume producers in China and the recent slowdown in China’s economic growth, there is a risk of price-cutting by thenardite producers to secure market share.

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Thenardite demand. Our sales volume is dependent upon the demand for our products and our ability to meet such demand. We have increased our thenardite production capacity to 1.6 million tpa and have plans to further increase our production capacity in the future. The sales volume of our thenardite products have steadily increased as we have increased our production capacity. The sales volumes of our products for the years ended December 31, 2006, 2007 and 2008 are set out below:

	Year Ended December 31,					
	2006		2007		2008	
	(in tonnes, except percentages)					
Sales Volume						
Powder thenardite — domestic	424,094	83.8%	519,481	74.5%	459,346	30.6%
Powder thenardite — exports	54,041	10.7%	12,912	1.9%	18,469	1.2%
Total powder thenardite	478,135	94.5%	532,393	76.4%	477,815	31.8%
Medical thenardite	27,971	5.5%	75,281	10.8%	99,080	6.6%
Specialty thenardite	—	—	89,270	12.8%	926,830	61.6%
Total thenardite sales	506,106	100.0%	696,944	100.0%	1,503,725	100.0%

The year ended December 31, 2008 was the first full period presented where the production facility at the Guangji Mining Area was operational. We sold 926,830 tonnes of specialty thenardite in the year ended December 31, 2008 which represented 61.6% of the total thenardite we sold in such period. We expect specialty thenardite sales revenue to continue to represent a significant portion of our revenues in the future. We sold 10.3% less powder thenardite in terms of volume in the year ended December 31, 2008 than in the year ended December 31, 2007 primarily as a result of allocating more production capacity to produce medical thenardite at our production facility in the Dahongshan Mining Area. Due to the recent global economic crisis, however, the growth of demand for detergent, textiles and glass are expected to slow down in China, the rest of Asia and South America in the next two years which may result in only a modest growth of thenardite consumption in these regions.

Cost of coal. The cost of coal comprised 36.3%, 37.6%, and 45.9% of our total cost of sales for the years ended December 31, 2006, 2007 and 2008, respectively. We use coal in our onsite coal fired power plants for our mining operations and production facilities and expect the cost of coal to continue to be the largest component of our cost of sales in the future. The main factors affecting the price of the coal we purchase are the supply and demand for coal in China and the caloric content of coal we purchase. Our average purchase price of coal per tonne for the three years ended December 31, 2006, 2007 and 2008 were RMB185, RMB192, and RMB270, respectively. In the second half of 2008, although the average price for coal decreased worldwide, the purchase prices of our coal increased as we increased our coal consumption and continued to purchase coal based on caloric content. We seek to manage our energy costs by purchasing higher caloric content coal in order for us to optimize our coal utilization efficiency.

In the three years ended December 31, 2008, we purchased coal based on caloric content or projected coal consumption volumes. As a result of our increased production capacity, we expect to increase the total coal consumption but lower the coal consumption per tonne of thenardite produced.

Packaging costs. We incurred RMB15.5 million, RMB33.2 million and RMB58.1 million in packaging costs for the years ended December 31, 2006, 2007 and 2008, respectively, which represented 13.8%, 22.0% and 16.9% of our total cost of sales for the same periods. Our packaging costs are principally related to our sales of medical thenardite. Medical thenardite requires additional packaging costs as the packaging is more expensive and our customers demand such product to be delivered in smaller sized bags as compared to deliveries of powder or specialty thenardite. Packaging costs increased from the year ended December 31, 2006 to December 31, 2008 primarily due to a significant increase in the sales of medical thenardite.

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Transportation costs. We incurred RMB23.0 million, RMB6.0 million and RMB10.1 million in transportation costs for the years ended December 31, 2006, 2007 and 2008, respectively. Our transportation costs decreased from December 31, 2006 to December 31, 2008 as a result of decreased export sales and a significant increase in our sales to customers who collected our thenardite products from our storage facilities. Our transportation costs in the year ended December 31, 2008 increased as compared to that in the year ended December 31, 2007 as a result of our payment of transportation costs associated with transporting our powder thenardite to the storage facility located near the Meishan train station.

Product mix and margins. In the three years ended December 31, 2008, we increased sales of medical thenardite and began sales of specialty thenardite in November 2007. The margins on medical thenardite and specialty thenardite are significantly higher than powder thenardite. As a result, our gross margins were 45.1%, 59.3% and 69.9% for the years ended December 31, 2006, 2007 and 2008, respectively. We incorporate transportation costs in our selling prices with reference to the distance between the delivery location and our storage facilities. In the three years ended December 31, 2008, our customers' collection of our products from our storage facilities resulted in decreased margins on our powder thenardite products.

Export sales. Our export sales have decreased as a percentage of our total sales primarily as a result of the cancellation of tax refunds on our export sales and the depreciation of the U.S. dollar against the RMB. Tax refunds on export sales were entirely cancelled in the year ended December 31, 2007. The U.S. dollar has continually depreciated against the RMB. As a result of the depreciation of the U.S. dollar in which our export sales were primarily denominated and the cancellation of tax refunds on our exports, we decided to focus more on domestic sales during the three years ended December 31, 2008. Our export sales in the year ended December 31, 2008 increased slightly as a result of several additional export customers.

Global supply and production capacity. The demand for and pricing of our thenardite products are affected by the global supply of thenardite. Global supply is in turn dependent upon the capacity of our competitors' mining operations and production capabilities. See "Risk Factors — Risks Relating to Our Business and Our Industry — We operate in a highly competitive environment and we may not be able to sustain our current market position if we fail to compete successfully".

Impact of the Sichuan Province Earthquake. As a result of the earthquake that occurred on May 12, 2008 and the resulting aftershocks, we incurred repair expenses of RMB8.3 million and wrote off of inventory of RMB0.9 million in the year ended December 31, 2008. See "Risk Factors — Risks Relating to our Business and our Industry — Our mining and production activities are subject to operational risks and hazards".

CRITICAL ACCOUNTING POLICIES

Critical accounting policies are those that require our management to exercise judgment and to make estimates that would yield materially different results if our management applied different assumptions or made different estimates. Our significant accounting policies are set forth in note 3 to our financial statements included in Appendix I to this prospectus. The preparation of our financial statements pursuant to IFRS requires our management to adopt accounting policies and make estimates and assumptions that affect the amount reported in our financial statements. These estimates and assumptions are continually evaluated by management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from those estimates and assumptions. We have identified the following accounting policies as critical to an understanding of our financial condition and results of operations.

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Impairment of non-financial assets

Intangible assets with indefinite useful lives are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the assets' carrying amount may not be recoverable.

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Where the carrying amount of an asset/a cash-generating unit exceeds its recoverable amount, the asset/cash-generating unit is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset/cash-generating unit. An impairment loss is charged to the income statement in the period in which it arises.

A previously recognized impairment loss on non-financial assets other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset/cash-generating unit, provided the increased amount of the asset/cash-generating unit does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset/cash-generating unit in prior years. Such reversal is credited to the income statement in the period in which it arises.

Derecognition of financial assets and financial liabilities

Financial assets are derecognized when the rights to receive cash flows from the financial assets expire or when financial assets are transferred together with substantially all the risks and rewards associated with the ownership of such financial assets. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in the income statement.

Financial liabilities are derecognized when the obligations specified in the relevant contract is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the income statements.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;

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- it becoming probable that the debtor will enter bankruptcy or other financial reorganization;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognized as follows:

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of impairment loss is recognized in the income statement of the period in which the impairment occurs. In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of loans and receivables is directly reduced by any identified amount of impairment. Impaired debts are derecognized when they are assessed as uncollectible.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal is recognized in the income statement of the period in which the reversal occurs.

Useful lives of property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in future economic benefits expected to be obtained from the use of the item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalized as an additional cost of that asset or as a replacement.

Construction-in-progress ("CIP") represents buildings, plant and machinery under construction or pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and acquisition. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated below.

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Any surplus arising on revaluation of property, plant and equipment is credited to equity, unless the carrying amount of that asset has previously suffered a revaluation decrease or impairment loss. To the extent that any decrease has been recognized in the income statement, a revaluation increase is credited to the income statement with the remaining part of the increase dealt with in the revaluation reserve. A decrease in net carrying amount of property, plant and equipment arising on revaluations or impairment testing is charged against any revaluation surplus in the revaluation reserve relating to the same asset and the remaining decrease recognized in income statement.

Depreciation on property, plant and equipment, other than construction in progress is provided to write off the cost or revalued amounts over their estimated useful lives, using the straight-line method, at the following rates per annum:

Buildings and mining structure	1 to 38 years
Computer equipment	2 years
Furniture, fixtures and equipment	5 years
Leasehold improvements	4 years
Machinery and equipment	5 to 22 years
Motor vehicles	5 to 20 years

The assets' useful lives and depreciation method are reviewed and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognized upon disposal or when no further economic benefits are expected to arise from the continued use of the item. Any gain or loss arising on derecognizing the item (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognized.

Mining rights

Mining rights are stated at cost less accumulated amortization and are amortized on a straight line basis over their estimated useful life, which is the shorter of the contractual period and the estimated period of extraction (based on the total proven and probable reserves of the mines), from the date when such mine is available for use.

Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in the income statement, or in equity if it relates to items that are recognized in the same or a different period directly in equity. Current tax assets and liabilities for the current year and prior periods are measured at the amounts expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, unused tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the unused tax credits and the unused tax losses can be utilized.

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Deferred tax assets and liabilities are not recognized if temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax liabilities in respect of taxable temporary differences associated with an investment in subsidiaries are not recognized where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred asset to be utilized. Conversely, previously unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax is calculated at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Provisions and contingent liability

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. When the effect of discounting is material, the amount recognized for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within our control, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Going concern basis

Management makes an assessment of the Group's ability to continue as a going concern when preparing the financial statements of the Company. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the balance sheet date. The degree of consideration depends on the facts in each case.

The Group is dependent upon its ability to generate profit and cash inflows from operations and the ability of the Group to continue to obtain bank financing to finance its continuing operation to meet the Group's future working capital and financing requirements. Management believes the Group is able to continue as a going concern after taking into account projections of the Group's future profits and cash inflows from operations and the ability of the Group to continue to obtain bank financing to finance its continuing operations. Accordingly, management has prepared the financial statements of the Company on a going concern basis. An adverse change in any of the above conditions may require the financial statements of the Company to be prepared on an

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alternative basis and such basis, together with the fact that the financial statements of the Company is not prepared on a going concern basis, would need to be disclosed. If the Group were unable to continue as a going concern, adjustments would have to be made to reduce the value of assets to their recoverable amount, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

DESCRIPTION OF SELECTED INCOME STATEMENT LINE ITEMS

Revenue

We generate all our revenue from the sale of thenardite products. Revenue represents the net amounts received and receivable for the thenardite we sell, less value-added tax and returns. Our revenues are based on the average selling prices and sales volumes of our thenardite products. We also include transportation costs in our average selling prices. The table below presents, for the periods indicated, our revenue in terms of amount and as a percentage of our total revenue:

	Year Ended December 31,					
	2006		2007		2008	
	RMB	%	RMB	%	RMB	%
	(RMB'000, except for percentages)					
Powder thenardite — domestic	127,097	62.1%	144,510	38.9%	143,995	12.6%
Powder thenardite — export	24,536	12.0%	4,895	1.3%	10,491	0.9%
Medical thenardite	53,122	25.9%	145,567	39.2%	192,163	16.9%
Specialty thenardite	—	—	76,558	20.6%	793,705	69.6%
Total	<u>204,755</u>	<u>100.0%</u>	<u>371,530</u>	<u>100.0%</u>	<u>1,140,354</u>	<u>100.0%</u>

We have historically focused on the production and sale of powder thenardite. We have recently focused on the sales of medical thenardite and specialty thenardite as we have expanded our production capacity for both products. We only began the production and sale of specialty thenardite in November 2007. The year ended December 31, 2008 was the first full period presented where we operated at the combined capacity of 1.6 million tpa.

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Cost of sales

Cost of sales represents the direct costs of production, which includes primarily raw materials costs, labor costs, electricity costs, depreciation expenses and repair and maintenance expenses. The cost of sales is recognized in inventories and then as cost of sales when the revenue from sale of goods is recognized. The primary raw material costs include coal and packaging. The cost of delivering products to our customers, storage facilities and export customs is included in our selling and distribution expenses and not included in our cost of sales. The following table presents, for the periods indicated, our cost of sales in terms of amount and as a percentage of our total cost of sales:

	For the year ended December 31,					
	2006		2007		2008	
	RMB	%	RMB	%	RMB	%
	(RMB'000, except for percentages)					
Cost of Sales						
Raw materials						
Coal	40,843	36.3%	56,877	37.6%	157,663	45.9%
Packaging ⁽¹⁾	15,482	13.8%	33,236	22.0%	58,103	16.9%
Others ⁽²⁾	15,024	13.4%	17,759	11.7%	37,170	10.8%
Total	71,349	63.5%	107,872	71.3%	252,936	73.6%
Labor	15,468	13.7%	17,375	11.5%	27,183	7.9%
Electricity	8,814	7.8%	9,845	6.5%	15,897	4.6%
Depreciation	8,724	7.8%	10,247	6.8%	37,930	11.0%
Exports tax	3,712	3.3%	1,003	0.7%	—	—%
Others ⁽³⁾	1,562	1.4%	1,542	1.0%	5,948	1.7%
Finished goods movement	1,037	0.9%	680	0.4%	(2,812)	(0.8)%
Resource tax ⁽⁴⁾	1,764	1.6%	2,731	1.8%	6,712	2.0%
Total	112,430	100.0%	151,295	100.0%	343,794	100.0%

Notes:

(1) Includes packaging for powder, specialty and medical thenardite. Medical thenardite packaging is more costly.

(2) Other raw materials include primarily spare parts, chemicals used in the production process and explosives activities.

(3) Others include primarily maintenance and repair expenses and mining and production overhead.

(4) Resource taxes for the Guangji Mine were included in the years ended December 31, 2007 and 2008 as we only commenced pilot production in November 2007.

Raw material costs are the main component of our cost of sales, representing 63.5%, 71.3%, and 73.6% of our total cost of sales for the years ended December 31, 2006, 2007 and 2008, respectively. The majority of our raw material costs consists of coal and packaging costs.

In the three years ended December 31, 2008, we purchased coal based on caloric content or coal consumption volumes. The coal costs for the years ended December 31, 2006 and 2007 were primarily incurred to operate our coal fired power plant located at our production facility in the Dahongshan Mining Area. The coal costs for the year ended December 31, 2008 were incurred to operate our coal fired power plant at both the Dahongshan Mining Area and Guangji Mining Area. As we expand our production capacity, we expect to consume more coal in the future.

Our packaging costs have been increasing primarily as a result of the increased sales of thenardite. The increase in our packaging costs was principally related to our sales of medical thenardite. Medical thenardite

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accounts for higher packaging costs as such product is delivered in smaller sized bags as compared to deliveries of powder or specialty thenardite. Packaging costs increased from December 31, 2006 to December 31, 2008 primarily due to a significant increase in the sales of medical thenardite and an overall increase in sales volumes due to our significantly increased production capacity.

Depreciation expenses increased in the year ended December 31, 2008 as the assets of our production facility located in the Guangji Mining Area began to depreciate in November 2007. We expect depreciation expenses to further increase once we complete construction and begin production at our production facility to be constructed in the Muma Mining Area.

Gross profit and gross margin

Gross profit is equal to revenue less cost of sales. Gross margin is equal to gross profit divided by revenue. In the years ended December 31, 2006, 2007 and 2008, our gross profit was RMB92.3 million, RMB220.2 million, and RMB796.6 million, respectively, and our gross margin was 45.1%, 59.3%, and 69.9%, respectively. Our gross margins are primarily affected by whether our customers collect our products from our storage facilities and our product mix. We incorporate transportation costs in our selling prices with reference to the distance between the delivery location and our storage facilities. In the three years ended December 31, 2008, our customers' collection of our thenardite products from our storage facilities resulted in decreased margins on our powder thenardite products. Our powder thenardite margins decreased from 32.0% in the year ended December 31, 2007 to 28.2% in the year ended December 31, 2008 primarily due to increased coal costs. Medical thenardite and specialty thenardite are higher margin products compared with powder thenardite. Our gross margin for specialty thenardite decreased from 81.9% in the year ended December 31, 2007 to 77.8% in the year ended December 31, 2008 primarily due to increased costs of coal and other raw materials and depreciation. Our gross margin for medical thenardite decreased from 75.4% in the year ended December 31, 2007 to 70.7% in the year ended December 31, 2008 primarily due to increased costs of coal, packaging costs and other raw materials. Our overall gross margin increased for the three years ended December 31, 2008 primarily due to increased sales of such higher margin products. The table below sets forth the gross profit margins for our powder, medical and specialty thenardite for the periods indicated:

<u>Gross profit margin</u>	<u>Year ended December 31,</u>		
	<u>2006</u>	<u>2007</u>	<u>2008</u>
Powder thenardite	35.4%	32.0%	28.2%
Medical thenardite	72.7%	75.4%	70.7%
Specialty thenardite	—	81.9%	77.8%

Other revenue and gains

Other revenue and gains consist primarily of interest income on bank deposits, government grants received, gains on the disposal of scrap materials and obsolete fixed assets.

Selling and distribution expenses

Selling and distribution expenses consist primarily of transportation costs.

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The following table presents, for the periods indicated, our selling and distribution expenses in terms of amount and as a percentage of our total selling and distribution expenses:

	Year ended December 31,					
	2006		2007		2008	
	RMB	%	RMB	%	RMB	%
	(RMB'000, except for percentages)					
Selling and distribution expenses						
Transportation	23,031	93.7%	5,978	86.5%	10,068	90.3%
Entertainment	46	0.2%	83	1.2%	107	1.0%
Office	173	0.7%	76	1.1%	89	0.8%
Travel	399	1.6%	58	0.8%	58	0.5%
Export packaging ⁽¹⁾	238	1.0%	—	—%	12	0.1%
Others ⁽²⁾	678	2.8%	717	10.4%	813	7.3%
Total	<u>24,565</u>	<u>100.0%</u>	<u>6,912</u>	<u>100.0%</u>	<u>11,147</u>	<u>100.0%</u>

Notes:

(1) Export packaging consists of additional packaging expenses associated with export sales to ensure such packaging survives sea transport.

(2) Others include miscellaneous expenses such as depreciation and staff costs.

The selling and distribution expenses for the years ended December 31, 2006, 2007 and 2008 were RMB24.6 million, RMB6.9 million and RMB11.1 million, respectively. Due to increased sales to customers who collected our thenardite products from our storage facilities, the selling and distribution expenses for domestic sales decreased significantly from the year ended December 31, 2006 to the year ended December 31, 2007. Our selling and distribution expenses increased from the year ended December 31, 2007 to the year ended December 31, 2008 as a result of our payment of transportation costs associated with transporting our powder thenardite to our storage facility located near the Meishan train station.

Other operating expenses

Other operating expenses consist primarily of staff costs (including directors' remuneration), and exchange loss, depreciation and amortization, legal and professional fees, impairment on receivables, mineral resource compensation fees and mining usage fees. In the year ended December 31, 2008, it also included expenses related to our share option plan, the Global Offering, the write off of inventory damaged in the Sichuan Province earthquake and a donation to disaster relief efforts in the Sichuan Province. Mineral resource compensation fees and mining usage fees were not payable for the Guangji Mine in the year ended December 31, 2007 as we only commenced pilot production in November 2007 and commercial production on November 1, 2008.

Operating profit and operating margin

Operating profit is equal to our gross profit less selling and distribution expenses and other operating expenses, after taking into account other revenue and gains. Operating margin is equal to operating profit divided by revenue. For the years ended December 31, 2006, 2007 and 2008 our operating profit was RMB57.9 million, RMB149.4 million and RMB712.4 million, respectively, and our operating margin was 28.3%, 40.2% and 62.5%, respectively. Our operating margins increased from the year ended December 31, 2006 to the year ended December 31, 2008 primarily due to increased sales of medical thenardite and specialty thenardite, which are higher margin products compared to powder thenardite.

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Finance costs

Finance costs primarily consist of interest paid on borrowings less capitalized interest. Finance costs included in the cost of qualifying assets have been capitalized at a rate of approximately 19.5% for the years ended December 31, 2007 and 2008. The capitalized amounts represent borrowing costs directly attributable to the acquisition, construction or production of related assets.

The qualifying assets represented the mining rights in the Muma Mining Area, certain machinery and equipment and certain buildings and mining structures of the Guangji Mining Area.

As advised by the Reporting Accountants, the amount of borrowing costs eligible for capitalization shall be determined in accordance with IAS 23 “Borrowing Costs”. Under the allowed alternative treatment, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are included in the cost of that asset. Such borrowing costs are capitalized as part of the cost of the qualifying assets when it is probable that they will result in future economic benefits to the Group and the costs can be measured reliably.

The US\$100 million term loan under the Facility Agreement was borrowed in June 2007 to finance our capital injection into Chuanmei Glauber Salt and our acquisition of the Guangji Mine and Muma Mine as well as our construction of buildings and mining structures in the Guangji Mining Area (i.e. the qualifying assets). In addition, the borrowing costs can also be readily identified. As a result, the borrowing costs incurred for the qualifying assets are eligible for capitalization during the years ended December 31, 2007 and 2008.

Income tax expenses

All of our income tax expenses in the year ended December 31, 2006 were related to PRC income tax incurred by our onshore operating subsidiary Chuanmei Mirabilite as Chuanmei Glauber Salt only began generating income in November 2007. Our income tax expenses for the years ended December 31, 2007 and 2008 include the PRC income taxes incurred by both Chuanmei Mirabilite and Chuanmei Glauber Salt. Each of our subsidiaries incorporated in China were subject to enterprise income tax on its taxable income as reported in its statutory financial statements prepared under the PRC GAAP and adjusted in accordance with the relevant tax laws and regulations in China. Pursuant to such laws and regulations, until 2008, foreign-invested enterprises incorporated in China are subject to enterprise income tax at a statutory rate of 33.0%, which included a 30.0% state income tax and a 3.0% local income tax. In connection with our approval to become a foreign invested enterprise in 2005, Chuanmei Mirabilite was entitled to a two-year income tax exemption from its first profitable year and 50% reduction of its applicable income tax rate for the subsequent three years. The year ended December 31, 2005 was Chuanmei Mirabilite’s first profitable year. For the year ended December 31, 2006, the local tax bureau imposed a 3.0% local income tax on Chuanmei Mirabilite. Based on the above, the applicable tax rate of Chuanmei Mirabilite in effect was 3.0%, 18.0% and 12.5% for the years ended December 31, 2006, 2007 and 2008, respectively. We expect the tax rate applicable to Chuanmei Mirabilite to be 12.5% for the year ending December 31, 2009.

As of January 1, 2008, we became subject to the PRC EIT Law, which imposed a tax rate of 25.0% on all enterprises incorporated in China, including foreign-invested enterprises, and eliminated many tax exemptions, reductions and preferential treatments available under current tax laws and regulations. However, under the PRC EIT Law, existing preferential tax treatments could be grandfathered for enterprises that were established before March 16, 2007. In the year ended December 31, 2007, Chuanmei Glauber Salt was subject only to a local tax of 3.0% as it was exempt from state taxes. Commencing January 1, 2008, Chuanmei Glauber Salt was subject to the PRC EIT tax rate of 25.0%.

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We expect to have minimal taxable income in jurisdictions other than China. Our subsidiary in Hong Kong is subject to a profit tax at the rate of 16.5% on assessable profit determined under relevant Hong Kong tax regulations. Under current laws of the Cayman Islands, we are not subject to any Cayman Islands income or capital gains tax.

RESULTS OF OPERATIONS

Year ended December 31, 2008 compared to the year ended December 31, 2007

Revenue

Our revenue increased 206.9% from RMB371.5 million in the year ended December 31, 2007 to RMB1,140.4 million in the year ended December 31, 2008. This increase was primarily due to sales of 926,830 tonnes of specialty thenardite which generated sales revenues of RMB793.7 million in the year ended December 31, 2008 and increased sales of medical thenardite. Sales revenues contributed by medical thenardite increased 32.0% from RMB145.6 million in the year ended December 31, 2007 to RMB192.2 million in the year ended December 31, 2008 primarily due to increased market demand for medical thenardite.

Cost of sales

Our cost of sales increased 127.2% from RMB151.3 million in the year ended December 31, 2007 to RMB343.8 million in the year ended December 31, 2008. This increase was primarily due to an increase in production volumes which increased our raw material costs and labor costs primarily as a result of the operation of our Guangji Mining Area production facility in the year ended December 31, 2008. Raw material costs increased 134.5% from RMB107.9 million in the year ended December 31, 2007 to RMB252.9 million in the year ended December 31, 2008 primarily due to increased coal costs and packaging costs. Coal costs increased 177.2% from RMB56.9 million in the year ended December 31, 2007 to RMB157.7 million in the year ended December 31, 2008 primarily due to increased coal prices and consumption volume at the new production facility in the Guangji Mining Area in the year ended December 31, 2008. Packaging costs increased 74.8% from RMB33.2 million in the year ended December 31, 2007 to RMB58.1 million in the year ended December 31, 2008. This increase was primarily due to an increase in the sales of medical thenardite which requires higher packaging costs and our overall increase in sales volume due to our significantly increased production capacity.

Gross profit and gross margin

As a result of the foregoing, our gross profit increased 261.7% from RMB220.2 million in the year ended December 31, 2007 to RMB796.6 million in the year ended December 31, 2008, which represented a gross margin increase from 59.3% in the year ended December 31, 2007 to 69.9% in the year ended December 31, 2008. This gross margin increase was primarily due to the increase in sales of specialty thenardite and increased sales of medical thenardite, both of which are significantly higher margin products compared to powder thenardite.

Other revenue and gains

Other revenue and gains decreased 41.2% from RMB5.3 million in the year ended December 31, 2007 to RMB3.1 million in the year ended December 31, 2008. The other revenue and gains in the year ended December 31, 2008 were primarily due to interest income of RMB1.3 million from cash deposited in offshore banking accounts in connection with the Facility Agreement and a gain on disposal of scrap materials/obsolete fixed assets of RMB1.5 million. The other revenue and gains in the year ended December 31, 2007 was primarily due to interest income of RMB4.0 million from cash deposited in offshore banking accounts in connection with the Facility Agreement.

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Selling and distribution expenses

Selling and distribution expenses increased 61.3% from RMB6.9 million in the year ended December 31, 2007 to RMB11.1 million in the year ended December 31, 2008. This increase was primarily due to a 68.4% increase in transportation expenses from RMB6.0 million in the year ended December 31, 2007 to RMB10.1 million in the year ended December 31, 2008 primarily as a result of the transportation costs incurred by transporting our powder thenardite to our storage facility located near the Meishan train station.

Other operating expenses and repair expenses arising from earthquake

Other operating expenses decreased from RMB69.2 million in the year ended December 31, 2007 to RMB67.9 million in the year ended December 31, 2008. Other operating expenses in the year ended December 31, 2008 primarily included equity-settled share-based payments of RMB13.8 million, staff salaries and wages of RMB8.6 million, professional fees in connection with the Global Offering of RMB10.1 million, director salaries of RMB5.9 million, social insurance costs of RMB3.6 million, depreciation and amortization expenses of RMB8.6 million and a stock write off of RMB0.9 million caused by the earthquake. Other operating expenses in the year ended December 31, 2007 primarily included professional fees incurred for arrangements of bank borrowings of RMB33.4 million, an impairment on receivables of RMB9.9 million, directors salaries of RMB4.0 million, staff salaries and wages of RMB4.2 million, social insurance costs of RMB3.0 million and depreciation and amortization expenses of RMB3.4 million.

As a result of the Sichuan Province earthquake and the resulting aftershocks, we incurred a repair expense of RMB8.3 million in the year ended December 31, 2008.

Operating profit and operating margins

As a result of the foregoing, operating profit increased 376.8% from RMB149.4 million in the year ended December 31, 2007 to RMB712.4 million in the year ended December 31, 2008, representing operating margins of 40.2% and 62.5% in the year ended December 31, 2007 and 2008, respectively.

Finance costs

Finance costs increased 186.2% from RMB34.5 million in the year ended December 31, 2007 to RMB98.8 million in the year ended December 31, 2008. This was primarily due to costs associated with the Facility Arrangements used to finance our operations, including the construction and development of our production facility in the Guangji Mining Area and the Muma Mining Area. The recorded expense was less than the cost of such interest because a portion of such interest payments were capitalized as cost of qualifying assets.

Income tax expense

Income tax expense increased from RMB25.9 million in the year ended December 31, 2007 to RMB171.5 million in the year ended December 31, 2008. For the year ended December 31, 2008, Chuanmei Mirabilite and Chuanmei Glauber Salt were subject to a tax rate of 12.5% and 25.0%, respectively. Our effective tax rate increased from 22.5% for the year ended December 31, 2007 to 28.0% for the year ended December 31, 2008 primarily due to the increased income tax paid for profit made by Chuanmei Glauber Salt and the increased tax effect not deductible. The increase in tax effect not deductible during the year ended December 31, 2008 as compared to the year ended December 31, 2007 was primarily due to the increased losses incurred by Lumena and Top Promise during the same periods, which were not deductible for the purposes of calculating income taxes for Chuanmei Mirabilite and Chuanmei Glauber Salt in the PRC.

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Profit for the year

As a result of the foregoing, profit for the year increased from RMB89.0 million in the year ended December 31, 2007 to RMB442.1 million in the year ended December 31, 2008, representing net profit margins of 24.0% and 38.8% in the years ended December 31, 2007 and 2008, respectively.

Year ended December 31, 2007 compared to the year ended December 31, 2006

Revenue

Our revenue increased 81.5% from RMB204.8 million in the year ended December 31, 2006 to RMB371.5 million in the year ended December 31, 2007. This increase was primarily due to a 37.7% increase in total sales volumes of our thenardite products from 506,106 tonnes in the year ended December 31, 2006 to 696,944 tonnes in the year ended December 31, 2007. This increase in sales volumes was due to the commencement of sales of specialty thenardite, an increase in sales of medical thenardite and an increase in domestic sales of powder thenardite, which was partially offset by a decrease in export sales of powder thenardite. We commenced sales of specialty thenardite produced in our production facilities in the Guangji Mining Area in November 2007 and sold 89,270 tonnes at an average selling price of RMB858 per tonne in the year ended December 31, 2007. Sales volumes of medical thenardite increased 169.1% from 27,971 tonnes in the year ended December 31, 2006 to 75,281 tonnes in the year ended December 31, 2007 primarily due to increased market demand for medical thenardite. Domestic sales volumes increased 22.5% from 424,094 tonnes in the year ended December 31, 2006 to 519,481 tonnes in the year ended December 31, 2007 primarily due to an increase in demand which was met by our increase in production volumes. Export sales volumes decreased 76.1% from 54,041 tonnes in the year ended December 31, 2006 to 12,912 tonnes in the year ended December 31, 2007 primarily due to our policy to focus more on domestic sales as a result of the cancellation of tax refunds on our export sales and the continued depreciation of the U.S. dollar against the RMB.

Cost of sales

Our cost of sales increased 34.6% from RMB112.4 million in the year ended December 31, 2006 to RMB151.3 million in the year ended December 31, 2007. This increase was primarily due to an increase in production volumes which increased our raw material costs and direct labor costs. Raw material costs increased 51.2% from RMB71.3 million in the year ended December 31, 2006 to RMB107.9 million in the year ended December 31, 2007 primarily due to increased packaging costs and coal costs. Packaging costs increased 114.7% from RMB15.5 million in the year ended December 31, 2006 to RMB33.2 million in the year ended December 31, 2007 primarily due to an increase in the sales of medical thenardite which requires higher packaging costs. Coal costs increased 39.3% from RMB40.8 million in the year ended December 31, 2006 to RMB56.9 million in the year ended December 31, 2007 primarily due to increased coal consumption volume due to the commencement of operations at our coal-fired power plant in the Guangji Mining Area. Labor costs increased 12.3% from RMB15.5 million in the year ended December 31, 2006 to RMB17.4 million in the year ended December 31, 2007 primarily due to increased costs associated with the commencement of production at our production facility in the Guangji Mining Area.

Gross profit and gross margin

As a result of the foregoing, our gross profit increased 138.5% from RMB92.3 million in the year ended December 31, 2006 to RMB220.2 million in the year ended December 31, 2007, which represented a gross margin increase from 45.1% in the year ended December 31, 2006 to 59.3% in the year ended December 31, 2007. This gross margin increase was primarily due to increased sales of medical thenardite and sales of specialty thenardite which are both significantly higher margin products. This increase was marginally offset by decreased export sales and sales to customers located further away from our storage facilities.

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Other revenues and gains

Other revenue and gains increased 15.3% from RMB4.6 million in the year ended December 31, 2006 to RMB5.3 million in the year ended December 31, 2007. The increase was primarily due to an increase in interest income attributable to offshore loan proceeds of US\$100 million under the Facility Agreement, which was placed as bank deposits before being utilized, partially offset by a decrease in gain on disposal of scrap material and obsolete fixed assets in the year ended December 31, 2007. The larger gain on disposal of scrap materials and obsolete fixed assets in the year ended December 31, 2006 was primarily a result of the proceeds of RMB1.8 million from the sale of a shop unit in Meishan, Sichuan Province. No similar sale was made in the year ended December 31, 2007.

Selling and distribution expenses

Selling and distribution expenses decreased 71.9% from RMB24.6 million in the year ended December 31, 2006 to RMB6.9 million in the year ended December 31, 2007. This decrease was primarily due to a 74.0% decrease in transportation costs from RMB23.0 million in the year ended December 31, 2006 to RMB6.0 million in the year ended December 31, 2007. Our transportation costs decreased as a result of decreased export sales and a significant increase in our sales to customers who collected our thenardite products from our storage facilities.

Other operating expenses

Other operating expenses increased from RMB14.4 million in the year ended December 2006 to RMB69.2 million in the year ended December 31, 2007 primarily due to the increase of salary for the managerial and administrative staff, and cost associated with setting up an offshore office. Our employee headcount of management, administration and human resources department and financing & accounting department increased from approximately 90 in the year ended December 31, 2006 to approximately 120 in the year ended December 31, 2007. Our average annual employee salary increased 89.2% from approximately RMB37,000 in the year ended December 31, 2006 to approximately RMB70,000 in the year ended December 31, 2007. The increase of average employee salary was primarily attributable to the additions of employees in our Hong Kong office in the year ended December 31, 2007 which have higher average salary as compared with that of our PRC employees and significant increase in salary of executive Directors and non-executive Directors from RMB0.5 million in the year ended December 31, 2006 to RMB4.0 million in the year ended December 31, 2007 due to the addition of two non-executive Directors in the year ended December 31, 2007 and the discretionary bonus paid to two executive Directors.

Other operating expenses in the year ended December 31, 2007 also included professional fees incurred for arrangements of bank borrowings of approximately RMB33.4 million, an impairment on receivables of RMB9.9 million, a donation of approximately RMB147,000, loss incurred on disposal of fixed assets of approximately RMB113,000 and design fee of approximately RMB170,000. The donation was made to an overseas organization. The loss on disposal of fixed assets was associated with the termination of the lease for our former office in Hong Kong. The design fee was paid for the overall packaging of our corporate identity, including the design of our company logo, signature format and stationery symbols.

Operating profit and operating margins

As a result of the foregoing, operating profit increased 157.9% from RMB57.9 million in the year ended December 31, 2006 to RMB149.4 million in the year ended December 31, 2007, which represented an increase of operating margin from 28.3% in the year ended December 31, 2006 to 40.2% in the year ended December 31, 2007.

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Finance costs

Finance costs increased from RMB7.1 million in the year ended December 31, 2006 to RMB34.5 million in the year ended December 31, 2007. This was primarily due to costs associated with the Facility Arrangements used to finance our onshore operations, including payment for the acquisition of the mining right of Muma Mining Area, the construction and development of our production facility in the Guangji Mining Area and Muma Mining Area. The recorded expense was less than the cost of such interest because a portion of such interest payments were capitalized as cost of qualifying assets.

Income tax expense

Income tax expense increased from RMB1.6 million in the year ended December 31, 2006 to RMB25.9 million in the year ended December 31, 2007 and primarily as a result of the step-up of our income tax rate for Chuanmei Mirabilite in accordance with our tax holiday from 3.0% in the year ended December 31, 2006 to 18.0% in the year ended December 31, 2007 and the increased tax effect of expenses not deductible. The tax effect of non-deductible expenses increased primarily due to increased losses incurred by Lumena and Top Promise during the year ended December 31, 2007 which were not deductible for the purposes of calculating income taxes for Chuanmei Mirabilite in the PRC. For the year ended December 31, 2007, the effective tax rate of Chuanmei Glauber Salt was 3.0%. Our income tax expenses and effective tax rate increased accordingly.

Profit for the year

As a result of the foregoing, profit for the year increased 80.7% from RMB49.3 million in the year ended December 31, 2006 to RMB89.0 million in the year ended December 31, 2007, and our net profit margin for the year decreased 0.1% from 24.1% in the year ended December 31, 2006 to 24.0% in the year ended December 31, 2007.

LIQUIDITY AND CAPITAL RESOURCES

Our cash needs have historically related primarily to purchases in property, plant and equipment, acquisition of mining rights, costs and expenses relating to our mining and thenardite production activities, and repayment of bank loans. We have secured our cash resources from operating activities and onshore and offshore bank loans. We intend to obtain short-term borrowings in order to finance our cash needs not met by our operating cashflows and other capital resources. Our policy is to regularly monitor current and expected liquidity requirements and compliance with loan covenants to ensure that we maintain sufficient cash reserves to meet our liquidity requirements in the short and long term. The Directors are of the view that our internally generated cash flows, together with the available banking facilities, are sufficient to meet our financial obligations when they fall due. 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 loans or arrange adequate financing when they mature. We recorded a net outflow of cash of RMB1.4 million in the year ended December 31, 2006, a net cash inflow of RMB69.4 million in the year ended December 31, 2007 and a net cash outflow of RMB70.3 million in the year ended December 31, 2008.

We plan to fund capital expenditures and related expenses and our working capital needs described in this prospectus with cash from operating activities, net proceeds from the Global Offering and short-term and long-term borrowings. We intend to obtain a RMB130 million short-term bank loan to partially finance the 0.2 million tpa medical thenardite production facility in the Muma Mining Area before the Listing. We also intend to obtain a RMB170 million short-term bank loan to partially finance the 1.0 million tpa specialty thenardite production facility in the Muma Mining Area in the first half of 2010. We intend to invest RMB406.1 million for our 0.2 million tpa medical thenardite production facility, of which RMB125.4 million had been paid in 2008. Approximately RMB241.4 million will be used for the purchase of property, plant and equipment for the

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0.2 million tpa medical thenardite production facility in the Muma Mining Area and RMB164.7 million will be used for the construction of buildings and mining structures in the Muma Mining Area. In addition, we intend to invest RMB72.3 million for the development of mining structures in the Guangji Mining Area in 2009.

The Agricultural Bank of China, Chengdu Economic and Technology Development Zone Branch (中國農業銀行成都經濟技術開發區支行) issued us two commitment letters with a validity period from May 2009 to May 2011 offering us a RMB300.0 million loan facility, the availability of which is subject to certain conditions. Our PRC Legal counsel, Grandall Legal Group (Shanghai) has advised us that these commitment letters are legal and valid.

Part of the proceeds from the Global Offering will be used to repay a portion of our US\$100 million offshore bank loan owed to the Facility Lenders under the Facility Arrangements. The remaining amounts will be converted into a one-year term loan bearing an interest rate of 13.5% per annum repayable in full at maturity. See “History, Reorganization and Corporate Structure — Facility Arrangements — Amendment upon Listing”.

For more details related to risks associated with our liquidity and capital resources, see “Risk Factors — Risks Relating to Our Business and Our Industry — We need additional capital to fund our operations and growth which we may not be able to obtain on acceptable terms, or at all”.

CASH FLOW DATA

The following table sets below certain information regarding our consolidated cash flows for the periods indicated:

	Year ended December 31,		
	2006	2007	2008
		(RMB'000)	
Net cash (used in)/ generated from operating activities	(10,128)	147,925	751,510
Net cash generated from/(used in) investing activities	23,515	(707,386)	(799,855)
Net cash (used in)/generated from financing activities	(14,752)	628,843	(21,900)
Net (decrease)/increase in cash and cash equivalents	(1,365)	69,382	(70,245)
Cash and cash equivalents at beginning of year	3,008	1,663	71,057
Effect on foreign exchange rate changes	20	12	15
Cash and cash equivalents at end of year	<u>1,663</u>	<u>71,057</u>	<u>827</u>

CASH FLOWS FROM OPERATING ACTIVITIES

Net cash (used in) generated from operating activities in the years ended December 31, 2006, 2007 and 2008 was RMB(10.1) million, RMB147.9 million and RMB751.5 million, respectively. The large increase in net cash generated from operations in the year ended December 31, 2007 was principally due to the commencement of operation in our Guangji Mining Area and a significant increase in our profit generated from thenardite production in the year ended December 31, 2007 compared to the previous year. The increase in net cash generated from operating activities in the year ended December 31, 2008 was principally due to the revenue generated from sales of specialty thenardite.

Net cash generated from operating activities in the year ended December 31, 2008 was primarily due to operating profit before working capital changes of RMB775.2 million plus working capital changes of RMB123.9 million. The operating profit before working capital changes for the year ended December 31, 2008 was a result of profit before income tax of RMB613.6 million and non-cash expenses of RMB161.6 million. The non-cash expenses were primarily due to interest expenses of RMB98.8 million, depreciation of property, plant and equipment of RMB41.2 million and expenses related to our share option scheme of RMB13.8 million. The interest expenses were primarily related to interest payments pursuant to the Facility Agreement and onshore borrowings. The working capital in the year ended December 31, 2008 increased by RMB123.9 million primarily as a result of an increase in trade and other payables of RMB134.7 million partially offset by an increase in trade and other receivable, deposits and prepayments of RMB9.6 million and an increase in inventories of RMB1.3 million.

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Net cash generated from operating activities in the year ended December 31, 2007 was primarily due to operating profit before working capital changes of RMB191.8 million less working capital changes of RMB27.5 million. The operating profit before working capital changes was a result of profit before income tax of RMB114.9 million and non-cash expenses of RMB76.9 million. The working capital in the year ended December 31, 2007 was decreased by RMB27.5 million, principally a result of an increase in trade and other receivables, deposits and prepayments of RMB102.3 million and an increase in inventories of RMB2.5 million which were partially offset by an increase in trade and other payables of RMB77.3 million.

Net cash used in operating activities in the year ended December 31, 2006 was primarily due to the profit before working capital changes of RMB71.7 million less changes in working capital of RMB81.8 million. The profit before working capital changes in the year ended December 31, 2006 was principally composed of profit before income tax of RMB50.9 million and non-cash expenses of RMB20.9 million. The decrease of working capital in the year ended December 31, 2006 was principally a result of a large increase in trade and other receivables, deposits and prepayments of RMB84.6 million, primarily composed of advancement of RMB45.7 million made to Mr. Suolang Duoqi for purposes unrelated to our business and operations, other receivables of RMB8.2 million and prepayments and deposits of RMB18.3 million.

CASH FLOWS FROM INVESTING ACTIVITIES

Net cash generated from (used in) investing activities in the years ended December 31, 2006, 2007 and 2008 was RMB23.5 million, RMB(707.4) million and RMB(799.9) million, respectively. The large increase in net cash used in investing activities in 2007 was primarily due to the investment of amounts borrowed under the Facility Agreement in property, plant and equipment and amount paid for the acquisition of mining rights in the Muma Mining Area. The net cash used in investing activities in the year ended December 31, 2008 was primarily due to payment for the acquisition of mining rights, deposits paid for the acquisition of property, plant and equipment, the payment of the purchase of land use rights and purchases of property, plant and equipment, all of which were associated with the development of our production facilities in the Guangji Mining Areas.

Net cash used in investing activities for the year ended December 31, 2008 was primarily due to deposits paid for the acquisition of property, plant and equipment of RMB309.7 million at the Muma Mining Area, payment of RMB249.4 million for mining rights in all of our three mining areas, payment for the purchase of land use rights of RMB31.6 million for the Guangji Mining Area and purchases of property, plant and equipment of RMB225.9 million primarily for the Guangji Mining Area.

Net cash used in investing activities in the year ended December 31, 2007 was primarily due to an increase in the purchase of property, plant and equipment of RMB502.2 million, amount paid for acquisition of mining rights of RMB159.2 million and an increase in the pledged bank deposits of RMB47.0 million.

Net cash generated from investing activities in the year ended December 31, 2006 was primarily due to a decrease in pledge of bank deposit of RMB30.0 million. This was partially offset by purchase of property, plant and equipment of RMB6.8 million.

CASH FLOWS FROM FINANCING ACTIVITIES

Net cash (used in) generated from financing activities in the years ended December 31, 2006, 2007 and 2008 was RMB(14.8) million, RMB628.8 million and RMB(21.9) million. The large increase in cash generated from financing activities in the year ended December 31, 2007 was primarily due to loan proceeds of RMB734.6 million received under the Facility Agreement entered into in June 2007, which was much larger than historical amount borrowed under other previous loan agreements.

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Net cash used in financing activities for the year ended December 31, 2008 was primarily due to the repayment of bank loans of RMB29.5 million and interest paid of RMB98.8 million, which was partially offset by new bank loans of RMB106.4 million.

Net cash generated from financing activities in the year ended December 31, 2007 was primarily due to loan proceeds of RMB734.6 million received under the Facility Arrangements and other new bank loans of RMB32.6 million, which was partially offset by repayment of bank loans of RMB103.9 million and interest paid of RMB34.5 million.

Net cash used in financing activities in the year ended December 31, 2006 was primarily due to repayment of bank loans of RMB96.4 million and interest paid of RMB7.1 million, which was partially offset by new bank loans received of RMB88.7 million.

WORKING CAPITAL

The following table sets out our current assets, current liabilities and net current liabilities as at December 31, 2008 and March 31, 2009:

	As at December 31, 2008	As at March 31, 2009 (unaudited)
	(RMB'000)	
Current assets		
Inventories	8,270	7,606
Trade and other receivables	258,298	256,661
Pledged bank deposits	32,394	32,354
Cash and cash equivalents	827	80,640
Total	<u>299,789</u>	<u>377,261</u>
Current liabilities		
Trade and other payables	360,795	429,958
Bank borrowings — due within one year	258,947	292,547
Provision for tax	34,995	34,918
Total	<u>654,737</u>	<u>757,423</u>
Net current liabilities	<u>(354,948)</u>	<u>(380,162)</u>

Our current liabilities increased 15.7% from RMB654.7 million as of December 31, 2008 to RMB757.4 million as of March 31, 2009. This increase was primarily due to a 13.0% increase of bank borrowings from RMB258.9 million as of December 31, 2008 to RMB292.5 million as of March 31, 2009 and a 19.2% increase of trade and other payables from RMB360.8 million as of December 31, 2008 to RMB430.0 million as of March 31, 2009. Our bank borrowings increased to RMB292.5 million primarily as a result of additional onshore borrowings in the three months ended March 31, 2009. These additional onshore borrowings were used to finance our onshore operations as well as fund our expansion plans. Trade and other payables increased primarily as a result of the increase in the value added tax payable of approximately RMB17.3 million and interest payable on the loan under the Facility Agreement of approximately RMB36.3 million in the three months ended March 31, 2009.

Our current liabilities increased 84.9% from RMB354.1 million in the year ended December 31, 2007 to RMB654.7 million in the year ended December 31, 2008. This increase was primarily due to an increase of bank borrowings from RMB12.6 million in the year ended December 31, 2007 to RMB258.9 million in the year ended December 31, 2008 and a 9.2% increase of trade and other payables from RMB330.5 million in the year ended December 31, 2007 to RMB360.8 million in the year ended December 31, 2008. Our bank borrowings increased

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to RMB258.9 million primarily as a result of additional onshore borrowings and the fact that a portion of the loan under the Facility Agreement became current liabilities in the year ended December 31, 2008. These additional onshore borrowings were used to finance our onshore operations as well as fund our expansion plans. Trade and other payables increased primarily as a result of additional amounts due to Mr. Suolang Duoqi as he extended additional loans to the Company which was partially offset by the repayment of certain loans we extended to Mr. Suolang Duoqi in the year ended December 31, 2008.

Our current liabilities increased 108.5% from RMB169.9 million in the year ended December 31, 2006 to RMB354.1 million in the year ended December 31, 2007. This increase was primarily due to a 291.4% increase in trade and other payables from RMB84.4 million in the year ended December 31, 2006 to RMB330.5 million in the year ended December 31, 2007 which was partially offset by a 85.0% decrease in bank borrowings from RMB83.9 million in the year ended December 31, 2006 to RMB12.6 million in the year ended December 31, 2007. The increase in trade and other payables was primarily due to payables associated with the construction of our production facility in the Guangji Mining Area of RMB53.1 million, acquisition of land use right in the Guangji Mining Area of RMB29.0 million, acquisition of mining rights in Muma Mining Area of RMB85.8 million and the interest payable on the loan under the Facility Arrangement of RMB29.4 million. Bank borrowings decreased primarily due to the repayment of onshore short-term borrowings in the year ended December 31, 2006. We also borrowed RMB29.7 million from Mr. Suolang Duoqi in the year ended December 31, 2007.

Taking into account the estimated net proceeds from the Global Offering, available banking facilities and cash flows from our operations, our Directors confirm that we have sufficient working capital for our operations for at least the next 12 months from the date of this prospectus. See “Financial Information — Capital Expenditure”.

Inventory analysis

The following table shows a summary of our inventory balance as at the respective balance sheet dates below, as well as the average inventory turnover days:

	Year ended December 31,		
	2006 ⁽¹⁾	2007 ⁽¹⁾	2008 ⁽¹⁾
	(RMB'000)		
Raw materials	3,751	6,954	5,394
Finished goods	1,655	975	2,876
Total	5,406	7,929	8,270
Turnover of average inventory (days)	19.4	16.1	8.6

Note:

(1) Average inventory is the inventory at the beginning of each period plus the inventory at the end of each period with the sum divided by two. Turnover of average inventory, in days, is the average inventory divided by cost of sales multiplied by 365.

Our turnover of average inventory days decreased in the three years ended December 31, 2007 primarily due to increased demand for our products and increased sales to customers who collected our products from our storage facilities directly. As at December 31, 2007, the ageing of both raw materials and finished products are within one year. Up to December 31, 2008, all of the raw materials and finished goods at December 31, 2007 were fully utilized and sold respectively. In the year ended December 31, 2008, our turnover of average inventory days decreased to 8.6 days due to low levels of inventory at the Guangji Mining Area as a result of high levels of demand from our customers.

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Trade receivables

Our trade receivables represent receivables from the sales of our products. The following table sets out the our average trade receivables turnover days for the periods indicated:

	Year ended December 31,		
	2006 ⁽¹⁾	2007 ⁽¹⁾	2008 ⁽¹⁾
	(days)		
Turnover of average trade receivables	106.0	85.2	37.8

Note:

(1) Average trade receivables equals trade receivables at the beginning of the period plus trade receivables at the end of the period divided by two. Turnover of average trade receivables in days equals average trade receivables divided by revenue for the relevant period multiplied by 365.

Our average trade receivables turnover days decreased from 106.0 days in the year ended December 31, 2006 to 85.2 days in the year ended December 31, 2007, primarily due to increased demand for our products and an increase in the number of our customers paying for our thenardite products upon collection from our storage facilities. In the year ended December 31, 2008, our turnover of average trade receivables decreased to 37.8 days as the actual turnover days for specialty thenardite were approximately 40 days for the same period and sales of specialty thenardite contributed 69.6% of our revenues in such period.

The table below sets out an ageing analysis of our trade receivables, as at the balance sheet dates indicated:

	At December 31,		
	2006	2007	2008
	(RMB'000)		
Outstanding balances with ages:			
— 90 days or below	61,477	103,477	115,465
— 91 – 180 days	45	429	8,675
— 181 – 365 days	4,048	3,583	3,789
— Over 365 days	6	473	403
	<u>65,576</u>	<u>107,962</u>	<u>128,332</u>

During the Track Record Period, we granted credit terms to customers of up to 90 days, depending on the customer's relationship with our Company, its creditworthiness and its settlement record. Trade and trade receivables are interest-free and unsecured. The Directors considered that the carrying amount of the trade receivables approximates their fair values.

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Trade payables

Our trade payables represent the purchase of raw materials from various suppliers. The following table sets out the turnover of our average trade payables for the periods indicated:

	Year ended December 31,		
	2006 ⁽¹⁾	2007 ⁽¹⁾	2008 ⁽¹⁾
	(days)		
Turnover of average trade payables	115.0	87.4	45.1

Note:

(1) *Average trade payables equals trade payables at the beginning of the period plus trade payables at the end of the period divided by two. Turnover of average trade payables in days equals average trade payables divided by cost of sales for the relevant period multiplied by 365.*

During the Track Record Period, credit terms granted by our suppliers were in a range of no more than 180 days, depending on our relationship with the particular supplier. Our turnover of average trade payables decreased in the Track Record Period primarily due to negotiated pricing discounts with our suppliers in exchange for shortened payment terms during the Track Record Period. It is common practice in China to settle the trade payables within 90 to 180 days, and we believe our turnover of trade payables is in line with the market practice in China. As of the Latest Practicable Date, we have not experienced any dispute with our suppliers. In the year ended December 31, 2008, our turnover of average trade payables decreased to 45.1 days primarily due to the fact that Chuanmei Glauber Salt agreed to shorter credit terms with the suppliers in its first full year of operations to strengthen supplier relationships.

The table below sets out an ageing analysis of our trade payables, as at the balance sheet dates indicated:

	At December 31,		
	2006	2007	2008
	(RMB'000)		
Outstanding balances with ages:			
— 90 days or below	25,031	28,134	26,638
— 91 – 180 days	349	2,358	5,064
— 181 – 365 days	355	283	2,921
— Over 365 days	7,351	8,580	10,920
	<u>33,086</u>	<u>39,355</u>	<u>45,543</u>

TAXATION

Our income tax rate for Chuanmei Mirabilite for the years ended December 31, 2006, 2007 and 2008 was 3.0%, 18.0%, and 12.5%, respectively. Our income tax rate for Chuanmei Glauber Salt for the year ended December 31, 2007 and the year ended December 31, 2008 was 3% and 25%, respectively. Our income tax rate during the three years ended December 31, 2008 was generally lower than the domestic enterprise income tax rate of 33% and 25% before and after 2007, respectively, because of tax deductions discussed above.

The year ended December 31, 2005 was the first year of tax holiday for Chuanmei Mirabilite. Income tax expense increased to RMB1.6 million for the year ended December 31, 2006, which was mainly attributable to the 3% local income tax on Chuanmei Mirabilite imposed by the tax bureau of the Sichuan Province, even though it continued to enjoy the exemption of enterprise income tax for the year ended December 31, 2006. Tax effect of expenses not deductible mainly represented the losses incurred by Top Promise during the year ended December 31, 2006.

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The income tax expenses increased from RMB1.6 million for the year ended December 31, 2006 to RMB25.9 million for the year ended December 31, 2007. This increase was due to the increase of the applicable tax rate of Chuanmei Mirabilite from 3.0% in the year ended December 31, 2006 to 18.0% in the year ended December 31, 2007 and the imposition of a 3.0% local tax on Chuanmei Glauber Salt in the year ended December 31, 2007. Tax expenses not deductible mainly represented impairment provision for long outstanding trade receivables and other receivables in the PRC amounting to RMB7.8 million and RMB1.2 million, respectively, as well as the losses incurred by Lumena and Top Promise for the year ended December 31, 2007. Tax effect of income not taxable mainly represented the interest income earned by Lumena from offshore bank deposits which were not subject to income tax.

Income tax expenses were RMB171.5 million for the year ended December 31, 2008 primarily due to profits from Chuanmei Glauber Salt in the year ended December 31, 2008. Chuanmei Mirabilite is continued to be entitled to 50% tax reduction for the year ended December 31, 2008. Tax expenses not deductible mainly represented the losses incurred by Lumena and Top Promise for the year ended December 31, 2008.

Taxation for the three years ended December 31, 2008 can be reconciled to profit before income tax as follows:

	Year ended December 31,		
	2006	2007	2008
		(RMB'000)	
Profit before income tax	50,870	114,903	613,583
Tax at the domestic income tax rate	17,570	49,343	164,848
Effect of tax holidays of the PRC subsidiaries	(16,144)	(38,718)	(17,799)
Tax effect of expenses not deductible	190	15,970	24,658
Tax effect of income not taxable	—	(694)	(204)
Income tax expense	1,616	25,901	171,503

RELATED PARTY TRANSACTIONS

All amounts due from and to certain Shareholders and related parties, which are non-trade in nature as shown in “Appendix I — Accountants’ Report of Lumena Resources Corp. — Notes 33(iii) and 33(iv)”, have been settled on or before May 13, 2009.

ADVANCE TO THIRD PARTIES

We provided advances to third parties in the aggregate amounts of RMB15.0 million in the year ended December 31, 2006. We provided a loan of RMB10.0 million to Chengdu Huichen Investment Co., Ltd. in 2005 and another loan of RMB5.0 million to Chengdu Guihua Technology Development Co., Ltd. in 2006. Both loans were interest free and repaid in 2007. Chengdu Huichen Investment Co., Ltd. and Chengdu Guihua Technology Development Co., Ltd. are both Independent Third Parties. We also provided advances of RMB9.6 million to entities in which Mr. Suolang has equity interest in the year ended December 31, 2007.

Pursuant to the PRC General Clauses of Loan Facilities, no PRC corporation is allowed to make any advancement of loan to another PRC corporation without relevant authorization. Failure to comply with the PRC General Clauses of Loan Facilities may subject the lender to a fine exceeding twice but not more than 5 times of the revenue (such as, interest) gained as a result of the breach of the relevant regulations. The People’s Bank of China may also ban any unauthorized loan advancement. Since we obtained no revenue from these loans to Chengdu Huicheng Investment Co., Ltd. and Chengdu Guihua Technology Development Co., Ltd. as they were interest-free, and the loans were repaid in full, our PRC Legal Counsel, Grandall Legal Group (Shanghai), has

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advised us that we will not be subject to any fine or penalty in connection with our provision of these loans contrary to the PRC General Clauses of Loan Facilities and our financial position will thus not be adversely affected. The advances of RMB9.6 million were made from Top Promise to offshore entities in which Mr. Suolang has equity interests and are therefore not subject to the PRC General Clauses of Loan Facilities.

After the Listing, we will not provide financing to any third parties.

INDEBTEDNESS

Bank borrowings

The table below sets out our bank borrowings as at the dates indicated and the maturity profile of such borrowings:

	As at December 31,			As at March 31, (unaudited)
	2006	2007	2008	2009
	(RMB'000)			
Bank borrowings:				
Group:				
Secured	41,900	643,649	682,565	716,165
Unsecured	42,000	—	—	—
Total	<u>83,900</u>	<u>643,649</u>	<u>682,565</u>	<u>716,165</u>
Company:				
Secured	—	631,049	593,065	593,065
Maturity Profile:				
Due within one year	83,900	12,600	258,947	292,547
More than one year, but within two years	—	180,300	169,447	169,447
More than two years, but within five years	—	450,749	254,171	254,171
Total	<u>83,900</u>	<u>643,649</u>	<u>682,565</u>	<u>716,165</u>

For the year ended December 31, 2006, there was no notable seasonality of borrowing requirements. For the years ended December 31, 2007 and 2008, additional funds were required for the expansion of our mining operations and production facilities in the Guangji and Muma Mining Areas.

Our debt primarily consists of bank loans. All of our onshore borrowings are short-term to take advantage of the lower annual interest applicable to short-term borrowings. Those short-term bank loans are collateralized by a pledge of certain of our buildings, machinery and equipment and other assets with an aggregate carrying value as at December 31, 2006, 2007 and 2008 of approximately RMB64.2 million, RMB89.0 million and RMB158.1 million. As at December 31, 2008, the effective interest rates for our onshore short-term bank loans ranged from 5.6% to 7.5% per annum. The renewal of our short-term loans is subject to approval by the lending banks. During the Track Record Period, we have not encountered any difficulties in renewing our short-term loans. On June 23, 2007, we entered into the Facility Agreement with Credit Suisse, Singapore Branch. A portion of the loan under the Facility Agreement will be repaid with proceeds from the Global Offering, and the remaining balance will be converted into a one-year term loan bearing an effective interest rate of 13.5% per annum repayable in full at maturity. See “History, Reorganization and Corporate Structure — Facility Arrangements”.

Bank borrowings increased by 667.2% from approximately RMB83.9 million as at December 31, 2006 to approximately RMB643.6 million as at December 31, 2007 primarily due to the borrowing of RMB631.0 million

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under the Facility Agreement, partially offset by the decrease in onshore borrowings of approximately RMB71.3 million. Bank borrowings increased by 6.0% from RMB643.6 million as of December 31, 2007 to approximately RMB682.6 million as at December 31, 2008, primarily due to the increase of onshore bank borrowings of RMB76.9 million partially offset by the appreciation of Renminbi against US dollar which resulted in the decrease of value of the US dollar denominated loan of RMB37.9 million.

As at March 31, 2009, bank borrowings increased by 5% from approximately RMB682.6 million as at December 31, 2008 to approximately RMB716.2 million as at March 31, 2009. The additional funds were used for the construction of 0.2 million tpa medical thenardite production facility in the Muma Mining Area.

Under the terms of the Facility Agreement, we are required to comply with various financial covenants, including consolidated total debt to consolidated EBITDA, consolidated EBITDA to consolidated interest expense and consolidated total debt to consolidated total capitalization ratios. The chart below sets forth for the details of the covenants and our financial ratios as at June 30, 2007, September 30, 2007, December 31, 2007, March 31, 2008, June 30, 2008, September 30, 2008 and December 31, 2008.

Relevant Financial Ratios	Requirements under the Facility Agreement for periods			Our financial ratios as of						
	after December 31, on or prior to 2007 but on									
	December 31, 2007	or prior to June 30, 2008	after June 30, 2008	June 30, 2007	September 30, 2007	December 31, 2007	March 31, 2008	June 30, 2008	September 30, 2008	December 31, 2008
Consolidated total debt to consolidated EBITDA	≤ 4.75:1	≤ 4.25:1	≤ 3.25:1	7.36:1	5.3:1	3.92:1	2.1:1	1.39:1	1.11:1	0.90:1
Consolidated EBITDA to consolidated interest expenses	≥ 3.0:1	≥ 3.0:1	≥ 3.5:1	15.2:1	3.6:1	5.1:1	6.68:1	7.5:1	10.4:1	12.85:1
Consolidated total debt to total capitalization .	≤ 0.80:1	≤ 0.80:1	≤ 0.70:1	0.88:1	0.84:1	0.7:1	0.67:1	0.6:1	0.53:1	0.49:1

We financed the recent expansion of our mining operations and production facilities with the proceeds received under the Facility Arrangements. The Facility Arrangements were originally entered into to finance the acquisition of several mines and existing production facilities in our Guangji and Muma Mining Areas. In October 2007, we approached the Facility Lenders and revised our use of proceeds for the loan so that we could construct our 1.0 million tpa production facility in the Guangji Mining Area instead of acquiring existing production facilities. As a result of this change, the revenue stream we anticipated when entering into the Facility Arrangements did not materialize until November 2007, resulting in our breach of the consolidated total debt to consolidated EBITDA ratio and consolidated total debt to total capitalization ratio as at June 30, 2007 and September 30, 2007. We were able to obtain waivers from the relevant lenders on October 9, 2007 and May 9, 2008 for such covenant breaches and were in full compliance with these financial covenants since the period starting December 31, 2007. Our Directors have confirmed that the breaches of financial covenants on June 30, 2007 and September 30, 2007 will not result in any change in the control and of beneficial and registered ownership of the Shares in our Company and the equity interest in Chuanmei Mirabilite and Chuanmei Glauber Salt, respectively. See “Risk Factors — Risks Relating to Our Business and Industry — We intend to use outstanding bank borrowings, but may not be able to comply with the covenant under these loans or arrange adequate financing when they mature”. We believe these breaches were one-times occurrences and that we will be in compliance with such financial ratios in the foreseeable future.

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We expect to repay a portion of the loans under the Facility Agreement upon Listing. Our Directors believe this repayment will not have a material adverse impact on our liquidity.

As at December 31, 2008, our total bank borrowings amounted to RMB682.6 million. Our Directors confirm that there have been no material changes in our indebtedness since December 31, 2008, except for: an RMB30 million loan facility obtained from Evergrowing Bank (恒豐銀行) which was fully drawn down in January 2009, a loan by China Sun Fund extended to Top Promise on May 7, 2009 to repay the indebtedness it owned to Mr. Suolang Duoqi and a RMB3.6 million onshore loan facility with ICBC, Meishan Branch. See “History, Reorganization and Corporate Structure — Facility Arrangements — Security and Guarantee”. Other than as disclosed in this section, we do not have any additional committed borrowing facilities.

Contingent liabilities

As at December 31, 2006, 2007 and 2008, we had no significant contingent liabilities. Our Directors confirm that as of the Latest Practicable Date, we had no significant contingent liabilities.

Disclaimer

Except as described above, as of March 31, 2009, being the latest practicable date for determining our indebtedness, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

CAPITAL COMMITMENTS

The following table presents our capital commitments as at the dates indicated:

	As at December 31,			As at
	2006	2007	2008	March 31,
				2009
				(unaudited)
	(RMB'000)			
Contracted, but not provided for:				
— additions to property, plant and equipment	1,467	11,894	304,817	327,344
— acquisition of land use rights	—	4,786	4,786	4,786
Total	<u>1,467</u>	<u>16,680</u>	<u>309,603</u>	<u>332,130</u>

As of December 31, 2008, our capital commitments related directly to the construction and development of our mining and production facility to be located in the Muma Mining Area.

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CAPITAL EXPENDITURE

Our capital expenditure generally comprises expansion expenses and the acquisition of mining rights. Expansion expenses include: construction in progress, buildings and mining structure, machinery and equipment and motor vehicles expenses. The following table shows our historical capital expenditure indicated:

	Year ended December 31,		
	2006	2007	2008
	(RMB'000)		
Expansion			
Construction in progress	—	38,200	167,771
Buildings and mining structure	129	112,256	53,267
Machinery and equipment	5,562	403,862	15,101
Motor vehicles	1,119	1,830	152
Payment for mining rights	—	159,196	249,411
Deposit paid for property, plant and equipment	—	—	309,741
Purchase price paid for land use rights	—	3,000	29,000
Total	<u>6,810</u>	<u>718,344</u>	<u>824,443</u>

For the year ended December 31, 2006, our capital expenditure was mainly in relation to our machinery and equipment and motor vehicles. For the years ended December 31, 2007 and 2008, our capital expenditure was mainly in relation to our buildings and mining structure, machinery and equipment and mining rights.

We intend to fund our planned capital expenditure through a combination of the proceeds of the Global Offering, bank loans, and cash flow from operating activities. See “Future Plans and Use of Proceeds”.

For the year ending December 31, 2009, our major planned capital expenditure totals RMB379.7 million of which approximately RMB83.5 million is expected to be funded by the proceeds of the Global Offering. Our Directors expect that the remaining capital expenditure will be funded by our operating cash flow and our internal cash resources. Our major planned capital expenditure is expected to include:

- Approximately RMB247.5 million for the construction of a medical thenardite production facility at the Muma Mining Area;
- Approximately RMB59.9 million for the construction of a specialty thenardite production facility at the Muma Mining Area; and
- Approximately RMB72.3 million for the development of our mining structure in the Guangji Mining Area.

We must obtain PRC Government approvals for any projects involving significant capital investments in our operations. All of our projects as mentioned above have been approved by the relevant PRC authorities.

Our anticipated capital expenditure beyond 2009 is subject to change based upon the evolution of our business plan, including the progress of our capital projects, market conditions, domestic regulatory environment and our outlook on future business conditions.

MARKET RISKS

We are, in the normal course of business, exposed to market risks relating primarily to foreign exchange risks and interest rate risks.

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Interest rates

Our exposure to interest rate risk relates primarily to our short-term and long-term bank borrowings, which totalled RMB643.6 million as at December 31, 2007 and RMB682.6 million as at December 31, 2008, respectively. An increase in prevailing interest rates would lead to an increase in interest cost on our short-term borrowing when such debt is rolled over. To date, we have not entered into any type of interest rate agreements or derivatives, which are generally not available in the PRC, to hedge against interest rate fluctuations. To the extent that we do so in the future, we cannot assure you that any future hedging activities will protect us from fluctuations in interest rates.

Foreign exchange

We conduct operations primarily in China and sell our products to customers primarily in China. Our exposure to exchange rate fluctuations is derived from the receipt of our export revenue in U.S. dollars and our loan under the Facility Agreement. We do not currently have a formal hedging policy in place and have not entered into any foreign currency exchange contracts or derivatives transactions to hedge our currency risk. To the extent that we decide to do so in the future, we cannot assure you that any such hedging activities will protect us from fluctuations in exchange rates.

Inflation

In recent years, China has not experienced significant inflation, and therefore inflation has not had a significant effect on our business during the Track Record Period. According to the National Bureau of Statistics of China, the overall national inflation rate of China, as represented by the general consumer price index, was approximately 1.5%, 4.8% and 5.9% in the years ended December 31, 2006, 2007 and 2008, respectively.

SUMMARY OF KEY FINANCIAL RATIOS DURING THE TRACK RECORD PERIOD

Return on equity

The table below sets forth the return on equity ratios of our Company for the periods indicated:

	For the year ended December 31,		
	2006	2007	2008
Return on equity ⁽¹⁾	56.0%	40.2%	76.6%
Return on total assets ⁽²⁾	18.9%	11.1%	27.5%

Notes:

(1) Return on equity is calculated by net profit divided by average shareholders' equity expressed as a percentage.

(2) Return on total assets is calculated by net profit divided by average total assets expressed as a percentage.

Our return on equity ratio decreased from 56.0% in the year ended December 31, 2006 to 40.2% in the year ended December 31, 2007, primarily due to a large increase in average shareholders' equity in the year ended December 31, 2007 coupled with a relatively smaller increase in net profit after tax during the same period. The increase in shareholders' equity in 2007 was primarily a result of the increased net profit and the recognition of the capital contribution from certain Shareholders in respect of the fair value of the warrants issued by Nice Ace and the guarantee provided by the shareholders of our Company to secure loans under the Facility Agreement, in accordance with applicable accounting standards.

Our return on equity ratio increased from 40.2% as at December 31, 2007 to 76.6% as at December 31, 2008, primarily due to significantly increased net profits in the year ended December 31, 2008.

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Our return on total assets ratio decreased from 18.9% in the year ended December 31, 2006 to 11.1% in the year ended December 31, 2007, primarily due to a large increase in average total assets coupled with a relatively smaller increase in net profit. The increase of average total assets in the year ended December 31, 2007 was a result of significant capital expenditure during the same period in connection with the development of new production facilities in the Guangji Mining Area. As the production facilities in Guangji Mining Area only commenced pilot production in November 2007, the net profit contributed by these new facilities was not correspondingly significant in the year ended December 31, 2007 and hence resulted in a decline in the return on assets ratio for the same period.

Our return on total assets increased from 11.1% as at December 31, 2007 to 27.5% as at December 31, 2008, primarily due to significantly increased net profits in the year ended December 31, 2008 coupled with a smaller increase in average total assets. Total assets for this period also increased as we made significant acquisitions of mining rights, production facilities and property, plant and equipment.

Liquidity Ratios

The table below sets forth the liquidity ratios of our Company for the periods indicated:

Liquidity ratios	As at December 31,		
	2006	2007	2008
Current ratio ⁽¹⁾	1.0	1.1	0.5
Quick ratio ⁽²⁾	0.9	1.0	0.4

Notes:

(1) Current ratio is calculated by current assets divided by current liabilities.

(2) Quick ratio is calculated by current assets less inventories divided by current liabilities.

Our current ratio increased by 10% from 1.0 as of December 31, 2006 to 1.1 as at December 31, 2007 and our quick ratio increased by 11.1% from 0.9 as at December 31, 2006 to 1.0 as at December 31, 2007. The increase of current assets in the year ended December 31, 2007 was principally a result of a partial payment of RMB109 million made to Sichuan Tengzhong pursuant to a contract in connection with the Company's planned construction in the Muma Mining Area, and an increase of cash and cash equivalents due to the loan proceeds received under the Facility Agreement during the same period. The increase of current liabilities in the year ended December 31, 2007 was primarily due to payables associated with the construction of our production facility in Guangji Mining Area of RMB53.1 million and acquisition of mining rights in Muma Mining Area of RMB85.8 million.

Our current ratio decreased from 1.1 as at December 31, 2007 to 0.5 as at December 31, 2008 and our quick ratio decreased from 1.0 as at December 31, 2007 to 0.4 as at December 31, 2008. These changes were primarily due to a significant increase in current liabilities, our large investments in our mining and production facilities and the repayment schedule of the Facility Agreement.

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Gearing Ratio

The table below sets forth the gearing ratio of our Company for the periods indicated:

	As at December 31,		
	2006	2007	2008
Gearing ratio ⁽¹⁾	30.3%	51.4%	41.8%

Note:

(1) Gearing ratio is calculated by total debt (including the amount due to a director and the amount due to minority shareholders) divided by total assets expressed as a percentage.

Our gearing ratio increased from 30.3% as at December 31, 2006 to 51.4% as at December 31, 2007, primarily due to a large increase in total debt coupled with a relatively smaller increase in total assets. The increase of total debt in the year ended December 31, 2007 was principally a result of the loans borrowed under the Facility Agreement for the funding of our expansion plans in the Guangii and Muma Mining Areas.

Our gearing ratio decreased from 51.4% as at December 31, 2007 to 41.8% as at December 31, 2008 primarily due to a large increase in total assets coupled with a smaller increase in total debt. Total assets increased as we made significant acquisitions of mining rights, production facilities and property, plant and equipment.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

As at the Latest Practicable Date, we confirm that there are no circumstances that will give rise to a disclosure requirement under Rule 13.13 to Rule 13.19 of the Listing Rules.

PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2009

Our Directors forecast that, in the absence of unforeseen circumstances, and based on the bases and assumptions set forth in Appendix III to this prospectus, the consolidated profit attributable to equity holders of our Company for the year ending December 31, 2009 will amount to not less than RMB500.0 million (equivalent to approximately HK\$567.3 million).

On the basis of the above profit forecast and on the assumption that our Company had been listed since January 1, 2009 and a total of 1,924,000,000 Shares were issued on January 1, 2009, the unaudited pro forma forecast earnings per Share will be not less than RMB0.26 (equivalent to approximately HK\$0.29), representing a pro forma price/earnings multiple of approximately 5.9 times and 8.8 times if the Offer Price is HK\$1.72 and HK\$2.56 per Share, respectively.

On a weighted average basis based on the above profit forecast and assuming that (i) our Company had been established and 1,520,000,000 Shares were issued and outstanding as at January 1, 2009, (ii) 404,000,000 Shares to be issued pursuant to the Global Offering, (iii) no exercise of Over-allotment Option and (iv) no options are granted under the Share Option Scheme and the Pre-IPO Share Option Scheme, the forecast earnings per Share on a weighted average basis will be not less than RMB0.29 (equivalent to approximately HK\$0.33), representing a weighted average price/earnings multiple of approximately 5.2 times and 7.8 times if the Offer Price is HK\$1.72 and HK\$2.56 per Share, respectively.

The profit forecast for the year ending December 31, 2009 has not taken into account potential revenue, if any, that may be generated from our intended 0.2 million tpa medical thenardite production facility in the Muma Mining Area for our financial year ended December 31, 2009. See “Business — Our Products — Medical

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Thenardite” and “Business — Sales and Marketing — Pricing”. Please also 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”.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following illustrative statement of our unaudited pro forma adjusted net tangible assets is based on our audited consolidated net tangible assets as at December 31, 2008 as set out in the Accountants’ Report in Appendix I to this prospectus and is adjusted as described below:

	Consolidated net tangible assets attributable to the equity holders of our Company as at December 31, 2008 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Shares ⁽³⁾	
	RMB’000	RMB’000	RMB’000	RMB	HK\$
Based on the Offer Price of HK\$1.72 for each Offer Share	354,856	475,192	830,048	0.43	0.49
Based on the Offer Price of HK\$2.56 for each Offer Share	354,856	760,812	1,115,668	0.58	0.66

Notes:

- (1) The consolidated net tangible assets attributable to the equity holders of our Company as at December 31, 2008 has been extracted from the accountants’ report, the text of which is set out in Appendix I to this prospectus, after adjusting for the mining rights, goodwill and other intangible asset of approximately RMB404,470,000, RMB8,386,000 and RMB17,588,000 respectively.
- (2) The estimated net proceeds from the Global Offering are based on the Offer price of HK\$1.72 and HK\$2.56 per Share, respectively, after deduction of the underwriting fees and other related expenses payable by us. No account has been taken of the Shares which may be issued pursuant to any exercise of Over-allotment Option.
- (3) The unaudited pro forma net tangible asset value per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis of 1,924,000,000 Shares (being the aggregate of the number of shares of 404,000,000 expected to be in issue immediately after completion of the Global Offering, without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and takes no account of the options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme and the 1,520,000,000 Shares in issue as at December 31, 2008).
- (4) Our property interests were valued by Jones Lang LaSalle Sallmanns Limited and the valuation in respect of which was set out in Appendix IV to this prospectus. Pursuant to the valuation performed by Jones Lang LaSalle Sallmanns Limited, our property interest as at March 31, 2009 amounted to approximately RMB230,066,000. Comparing the valuation amount as at March 31, 2009 to the unaudited net carrying value of our property interests as at March 31, 2009 of RMB187,009,000, there was a surplus of approximately RMB43,057,000. If such revaluation surplus was incorporated in the Group’s financial statements for the year ending December 31, 2009, additional amortization of RMB220,000 and depreciation of RMB1,068,000 would be charged. The revaluation surplus will not be reflected in the financial statements in subsequent year as we have elected to state the property interests at cost model.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in our financial or trading position or our prospects since December 31, 2008, being the date of the latest audited consolidated financial results as set out in the Accountants’ Report in Appendix I to this prospectus.

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PROPERTY INTERESTS

Jones Lang LaSalle Sallmanns Limited, an independent property valuer, has valued the property interests attributable to us, as of March 31, 2009 at approximately RMB230.1 million. The text of its letter, summary of values and valuation certificates are set out in “Appendix IV — Property Valuation”.

Property interests include the land use rights to the parcels of land and the building ownership rights of the completed buildings and structures.

A reconciliation of the net carrying value of the relevant property interest, as of December 31, 2008, to their market value as of March 31, 2009 as stated in “Appendix IV — Property Valuation” is as follow:

	Properties
	RMB'000
Net carrying value as of December 31, 2008	188,874
Movements for the period ended from December 31, 2008 to March 31, 2009	
— Amortization	(319)
— Depreciation	(1,546)
Net carrying value of March 31, 2009	187,009
Valuation as of March 31, 2009 as per Appendix IV to this prospectus:	230,066
Surplus	<u>43,057</u>

DIVIDENDS

We will not declare or pay any dividends other than from profits and reserves lawfully available for distribution, including share premium. Our Shareholders may approve the distribution of dividends in a general meeting, but the amount may not exceed the amount recommended by our Directors. Our Directors may from time to time also declare interim dividends or may also declare dividends half yearly or at other intervals at a fixed rate if our Directors are of the opinion that the profits available for distribution justify the payment of such dividends.

We did not declare any dividends during the Track Record Period. The amount of any dividends to be declared or paid in the future will depend on, among other things, our results of operations, cash flows and financial condition, operating and capital requirements, the amount of distributable profits based on our Articles, the Cayman Companies Law, applicable laws and regulations and other relevant factors. Any future declarations of dividends may or may not reflect our Group's historical declarations of dividends and will be at the absolute discretion of our Directors.

Our Directors intend to declare and recommend dividends in an amount of not less than 25% of the net profit attributable to the Shareholders in respect of the year ending December 31, 2010 and in respect of each financial year thereafter. However, such intention does not amount to any guarantee or representation or indication that our Company must or will or is able to declare and pay dividends in such manner or declare and pay dividends at all.

Any dividends declared will be in Hong Kong dollars with respect to the Shares on a per share basis and our Company will pay such dividends in Hong Kong dollars. Our Directors believe that our dividend policy mentioned above will not have a material adverse effect on our working capital position.

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DISTRIBUTABLE RESERVES

Our subsidiaries are required to follow the laws and regulations of the PRC and our Articles of Association, both of which provide for a statutory reserve fund, which is funded from net profit after tax, but before dividends distributed at the discretion of our board of directors, on at least 10% of net profit. The statutory reserve fund is provided for each entity until the balance of such fund has reached 50% of the entity's registered capital. The statutory reserve fund may only be used, upon approval by the relevant authority, to offset accumulated losses or to increase capital. According to our Company Law of the PRC, the statutory reserve fund shall be provided at 10% of the profit after tax of the current year. The discretionary common reserve may be drawn subject to the approval of shareholders at general meetings. Upon Listing, we may not distribute dividends exceeding the lower of our Group's distributable reserves as determined under PRC GAAP and those under IFRS. In accordance with our Company Law, profit after tax can be distributed as dividends after appropriate contributions to the statutory common reserve fund. As at December 31, 2008, we had approximately RMB481.8 million available for distribution to our shareholders.

FUTURE PLANS AND USE OF PROCEEDS

Future Plans and Prospects

See the section entitled “Business — Our Strategies” for a detailed description of our future plans.

Use of Proceeds

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$701.2 million, after deducting the underwriting fees and expenses payable by us in the Global Offering, assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK\$2.14 per Share, (being the mid-point of the indicative range of the Offer Price of HK\$1.72 to HK\$2.56).

We estimate that the Selling Shareholders will receive net proceeds from the Global Offering ranging from approximately HK\$284.5 million (assuming an Offer Price of HK\$1.72 per Offer Share, being the lower end of the estimated Offer Price range) to HK\$423.4 million (assuming an Offer Price of HK\$2.56 per Offer Share, being the higher end of the estimated Offer Price range), after deducting the underwriting commissions and estimated expenses payable by the Selling Shareholders in relation to the Global Offering.

Assuming we receive the estimated net proceeds as described above, we may allocate:

- approximately 65% of the net proceeds to us (approximately HK\$455.8 million) for the partial repayment of our offshore bank loan owed to the Facility Lenders under the Facility Arrangements;
- approximately 13.5% of the net proceeds to us (approximately HK\$94.7 million) for the construction of our mining and production facilities in the Muma Mining Area; and
- approximately 13.5% of the net proceeds to us (approximately HK\$94.7 million) for the acquisition of additional mining rights; and
- the remaining of the net proceeds (approximately HK\$56.0 million) to fund working capital and other general corporate purposes.

Our Directors consider that the net proceeds from the Global Offering are crucial for financing our future plans as set out in the “Business — Our Strategies” section of the prospectus and enable us to strengthen our leading position in the thenardite market in China.

We intend to use 13.5% of the net proceeds to acquire additional mining rights. At present, there is no definite plan, target or timetable for such acquisition. The proposed net proceeds allocated to fund working capital and other general corporate purposes allows us to adopt more flexible business plans.

Upon Listing, the remaining outstanding balance of our offshore bank loan owed to the Facility Lenders will be converted into a one-year term loan bearing an effective interest rate of 13.5% per annum repayable in full at maturity. See “History, Reorganization and Corporate Structure — Facility Arrangements — Amendment upon Listing”.

To the extent that the net proceeds of the Global Offering are not immediately used for the purposes described above, they will be placed on deposit with banks or other financial institutions or held in other treasury instruments.

We will not receive any of the net proceeds of the Global Offering from the sale of the Shares by the Selling Shareholders.

FUTURE PLANS AND USE OF PROCEEDS

If the Over-allotment Option is exercised in full, we estimate the net proceeds of the Global Offering to the Selling Shareholders will range from approximately HK\$426.7 million (assuming an Offer Price of HK\$1.72 per Share) to HK\$635.1 million (assuming an Offer Price of HK\$2.56 per Share), after deducting the underwriting commissions and estimated expenses payable by the Selling Shareholders in relation to the Global Offering. We will not receive any of the net proceeds of the Global Offering from the sale of the Shares by the Selling Shareholders. The Selling Shareholders will be responsible for the underwriting commission, together with any applicable Stock Exchange trading fees, SFC transaction levy, CCASS transaction fees and stamp duty payable in respect of the sale of their Shares. We will be responsible for all other costs of the Global Offering.

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Hong Kong Underwriters

Joint Lead Managers

Credit Suisse (Hong Kong) Limited
BOCI Asia Limited
Macquarie Capital Securities Limited
BOCOM International Securities Limited

Co-Lead Manager

China International Capital Corporation Hong Kong Securities Limited

Co-Managers

Chief Securities Limited
VC Brokerage Limited
Kingsway Financial Services Group Limited

International Placing Agents

Joint Lead Managers

Credit Suisse (Hong Kong) Limited
BOCI Asia Limited
Macquarie Capital Securities Limited
BOCOM International Securities Limited

Co-Lead Manager

China International Capital Corporation Hong Kong Securities Limited

Co-Managers

CCB International Capital Limited
Piper Jaffray Asia Securities Limited
Guotai Junan Securities (Hong Kong) Limited

Underwriting

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Placing is expected to be fully underwritten by the International Placing Agents. If, for any reason, the Offer Price is not agreed among us, the Selling Shareholders and the Joint Global Coordinators (on behalf of the Underwriters) by the Price Determination Date but in any event not later June 12, 2009, the Global Offering will not proceed and will lapse. The Global Offering comprises the Hong Kong Public Offering of initially 57,720,000 Hong Kong Offer Shares and the International Placing of initially 519,480,000 International Placing Shares, subject, in each case, to reallocation on the basis as described in the section headed “Structure of the Global Offering” in this prospectus as well as to the Over-allotment Option in the case of the International Placing.

Underwriting Arrangements and Expenses

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is initially offering 57,720,000 Hong Kong Offer Shares for subscription at the Offer Price under the Hong Kong Public Offering on and subject to the terms and conditions set out in this prospectus and the related Application Forms.

Subject to, among other matters, (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the existing issued Shares and the Shares to be issued as mentioned in this prospectus

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and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement (including, among others, the Joint Global Coordinators (on behalf of the Hong Kong Underwriters), our Company and the Selling Shareholders agreeing on the Offer Price), the Hong Kong Underwriters have severally (but not jointly or jointly and severally) agreed to subscribe or procure subscribers for their respective applicable proportions (set out in the Hong Kong Underwriting Agreement) of the Hong Kong Offer Shares which are being offered but not taken up under the Hong Kong Public Offering, on the terms and the conditions set out in this prospectus, the related Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to, among other matters, the International Placing Agreement having been signed, becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination of the Hong Kong Underwriting Agreement

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination with immediate effect by the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) by notice in writing to the Company (for itself and on behalf of the Selling Shareholders) if, prior to 8:00 a.m. on the day that trading in the Shares commences on the Stock Exchange:

- (a) there has come to the notice of the Joint Global Coordinators or any of the Hong Kong Underwriters:
 - (i) that any statement contained in any of this prospectus, the Application Forms, the formal notice or any announcements issued by our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has or may become, untrue, incorrect, inaccurate or misleading (in the sole discretion of the Joint Global Coordinators), in any material respect, or that any forecasts, estimates, expressions of opinion, intention or expectation expressed in any of this prospectus, the Application Forms, the formal notice and/or any announcements issued by our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) are not fair and honest (in the sole discretion of the Joint Global Coordinators) and based on reasonable assumptions, when taken as a whole; or
 - (ii) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from this prospectus; or
 - (iii) any breach of any of the obligations or undertakings of any party to the Hong Kong Underwriting Agreement or the International Placing Agreement (other than on the part of the Joint Sponsors, the Joint Global Coordinators, the Hong Kong Underwriters and the International Placing Agents); or
 - (iv) any event, act or omission which gives or may give rise to any liability of any of the indemnifying parties pursuant to the indemnification provisions under the Hong Kong Underwriting Agreement; or
 - (v) any material adverse change or development or prospective material adverse change or development in the assets, liabilities, conditions, business affairs, properties, prospects, earnings, profits, losses or financial or trading position or performance of any member of our Group; or
 - (vi) any breach of any of the warranties or undertakings or any of the representations given by our Company and each of the covenantors or warrantors under the Hong Kong Underwriting Agreement or the International Placing Agreement or any matter or event showing any of such

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warranties or undertakings or representations to be untrue, incorrect, inaccurate or misleading in any respect when is or might be given or repeated; or

- (vii) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any Shares that may be sold pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, by the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
 - (viii) our Company withdraws this prospectus, the Application Forms (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or the Hong Kong Public Offering or the Global Offering; or
 - (ix) any litigation or claim of any third party being threatened or instigated against any member of our Group or any Director; or
 - (x) any of Grant Thornton as the reporting accountants, Jones Lang LaSalle Sallmanns as the property valuer in relation to the Global Offering, Appleby as the legal advisers to our Company on Cayman Islands law, Grandall Legal Group (Shanghai) as the legal advisers to our Company on PRC law, Behre Dolbear as the independent market research consultant or JT Boyd as the independent mining and geological consultant has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or
 - (xi) there shall have occurred any event, act, condition or development which has or may have a material adverse effect on the financial standing of any of our Controlling Shareholders and in the sole and absolute opinion of the Joint Global Coordinators, such material adverse effect will or may cause any of our Controlling Shareholders fails to comply with the indemnification provisions under the deed of indemnity executed in favor of our Group, the principal terms of which are set out under the paragraph headed “E. Other Information — 2. Estate Duty and Tax Indemnity — 3. Other Indemnities” in Appendix VII to this prospectus; or
 - (xii) any actual or potential revocation, cancellation or withdrawal of any of the notices, approvals, consents, certificates, confirmations, confirmation letters or letter of undertaking granted, issued or given by any government agencies or relevant authorities referred to in the Hong Kong Underwriting Agreement or any condition is or might be imposed on any of such notices, approvals, consents, certificates, confirmations, confirmation letters or letter of undertaking,
- (b) there shall have developed , occurred , existed or come into effect:
- (i) any act of *force majeure* or any event, or series of events including, without limitation, acts of government, economic sanctions, declaration of a national or international emergency strikes, lock-outs, fire, explosion, flooding, civil commotion, riots, public disorder, acts of war, acts of God, acts of terrorism, outbreak of diseases or epidemics including, but not limited to, SARS, H5N1, H1N1 and such related/mutated forms and any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or any other state of emergency or calamity or crisis; or
 - (ii) any material adverse change or prospective change, or a materialization of (in the sole and absolute discretion of the Joint Global Coordinators), any of the risks set out in the section headed “Risk Factors” in this prospectus; or

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- (iii) any change or development involving a prospective change or development, or any event or series of events resulting in or likely to result in any change, or development involving a prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency or market conditions or any monetary or trading settlement system or matters and/or disaster (including, without limitation, any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange, the Shenzhen Stock Exchange, the Shanghai Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the American Stock Exchange or the Nasdaq National Market, or a material devaluation of HK dollars or the Renminbi against any foreign currencies, or any disruption in securities settlement or clearance services or procedures in or affecting Hong Kong, the PRC, the United States, the European Union or any other jurisdiction relevant to any member of our Group) in or affecting Hong Kong, the PRC, the Cayman Islands, the BVI, the United States or the European Union or any other jurisdiction relevant to any member of our Group; or
- (iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at Federal or New York State level or other competent authority), London, the PRC, the Cayman Islands, the BVI, or any other jurisdiction relevant to any member of our Group, or there is a material disruption in commercial banking or securities settlement or clearance services in any of those places; or
- (v) any new law or regulation or change or development involving a prospective change in existing laws or regulation or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, the Cayman Islands, the BVI, the United States, the European Union or any other jurisdiction relevant to any member of our Group; or
- (vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for the United States or by the European Union (or any member thereof) on the PRC, or Hong Kong or any other jurisdiction relevant to any member of our Group; or
- (vii) a change or development occurs or likely to occur involving a prospective change in taxation or exchange control, currency exchange rates or foreign investment regulations (or the implementation of any exchange control) in Hong Kong, the PRC, the Cayman Islands, the BVI, the United States or the European Union or any other jurisdiction relevant to any member of our Group adversely affecting an investment in the Shares; or
- (viii) any litigation or claim of any third party being threatened or instigated against any member of our Group; or
- (ix) any Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (x) the chairman or chief executive officer of our Company vacating his office in circumstances where the operations of our Group may be materially and adversely affected; or
- (xi) the commencement by any regulatory or political body or organization of any action against any Director or an announcement by any regulatory or political body or organization that it intends to take any such action; or
- (xii) a contravention by any member of our Group of the Companies Ordinance, the SFO or any of the Listing Rules or any of the other applicable laws in Hong Kong, the PRC, the Cayman Islands, the BVI, or any other jurisdiction relevant to any member of our Group; or

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- (xiii) a prohibition on our Company for whatever reason from allotting or selling the Offer Shares (including the Over-allotment Shares) pursuant to the terms of the Global Offering; or
- (xiv) non-compliance of this prospectus, the Application Forms (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law; or
- (xv) other than with the prior written approval of the Joint Global Coordinators, the issue or requirement to issue by our Company of a supplementary prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) pursuant to the Companies Ordinance or the Listing Rules; or
- (xvi) a valid demand by any creditor for repayment or payment of any indebtedness of our Company or any member of our Group or in respect of which our Company or any member of our Group is liable prior to its stated maturity; or
- (xvii) a petition is presented for the winding up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the material assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or
- (xviii) any adverse legislative or regulatory developments related to the New M&A Rules or any related official clarifications, guidance, interpretations or implementation rules which would make it inadvisable to proceed with the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated in the Hong Kong Underwriting Agreement or the International Placing Agreement,

and which, in any such case and in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) (1) is or is likely to or will or may have a material adverse effect on the business, financial, trading or other condition or prospects of our Company or our Group as a whole; or (2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares and/or make it impracticable, inexpedient or inadvisable for any part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offer or the Global Offering to be performed or implemented as envisaged; or (3) makes it inadvisable or inexpedient or impracticable to proceed with or market the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus; or (4) would have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Pursuant to Rule 10.08 of the Listing Rules, except pursuant to the Global Offering or any issue of Shares or securities in compliance with Rule 10.08(1) to (4) of the Listing Rules, our Company will not, at any time during the period of six months from the date on which dealings in the Shares commence on the Stock Exchange, allot or issue or agree to allot or issue any Shares or other securities of our Company (including warrants or other securities of our Company) or grant or agree to grant any options or rights over any Shares or other securities of our Company or enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequence of ownership of any Shares or offer to or agree to do any of the foregoing or announce the intention to do so.

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Pursuant to Rule 10.07(1) of the Listing Rules, each of the Controlling Shareholders (Nice Ace and Mr. Suolang Duoji) has undertaken to our Company and the Stock Exchange that he/it shall not (and in respect of Nice Ace, it shall procure its registered holder(s) from time to time), except pursuant to the Global Offering:

- (i) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which he/it is shown by this prospectus to be the beneficial owner; and
- (ii) in the period of six months commencing on the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a Controlling Shareholder of our Company.

Each of the Controlling Shareholders (Nice Ace and Mr. Suolang Duoji) has further undertaken to our Company and the Stock Exchange pursuant to Note (3) to Rule 10.07(2) of the Listing Rules that within the period commencing on the date of this prospectus and ending on the date which is twelve months from the Listing Date, he/it shall:

- (i) when he/it pledges/charges any Shares beneficially owned by it/him in favor of an authorized institution (as defined in the Banking Ordinance), immediately inform the Stock Exchange and our Company of such pledge/charge together with the number of Shares so pledged/charged; and
- (ii) when he/it receives indications, either verbal or written, from the pledgee/chargee that any of the pledged/charged Shares will be disposed of, immediately inform the Stock Exchange and our Company of such indications.

We must also inform the Stock Exchange as soon as we have been informed of the matters referred to in the immediate paragraphs (i) and (ii) above by any of our Controlling Shareholders and disclose such matters by way of an announcement which is published in accordance with the Listing Rules.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has undertaken to each of the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters, and each of the Controlling Shareholders and executive Directors has undertaken (so long as it/he/she remains a director or a controlling shareholder (as the case may be) of our Company) to use its/his/her best endeavors to procure our Company that, except pursuant to the Global Offering and the grant or exercise of options under Pre-IPO Share Option Scheme and the Share Option Scheme, at any time after the date of the Hong Kong Underwriting Agreement and until the end of the 12 months after the date on which dealings in the Shares commence on the Stock Exchange, our Company will not without the Joint Global Coordinators' prior written consent (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules and will procure that the subsidiaries of our Company will not:

- (i) offer, accept subscription for, pledge, charge, allot, issue, sell, contract to allot, issue or sell, lend, mortgage, assign, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any options, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of its share capital or other securities or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive such share capital or securities or any interest therein); or

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- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such share capital or securities or any interest therein; or

- (iii) offer to or agree to do any of the foregoing or announce any intention to do so,

whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise (whether or not such issue of shares or securities will be completed within such period) and in the event of our Company or any of our subsidiaries doing any of the acts as described in (i) or (ii) or (iii) above by virtue of the aforesaid exceptions, our Company will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

Pursuant to Hong Kong Underwriting Agreement, each of the Controlling Shareholders has further undertaken to our Company, the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Underwriters that, except as disclosed in this prospectus, he or it shall not without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules):

- (i) at any time during the period from the date of the Hong Kong Underwriting Agreement and ending on the date which is six months from the date when trading in our Shares commences on the Stock Exchange (the “First Six-month Period”), offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital, debt capital or other securities of our Company or Nice Ace (as the case may be) or any interest therein held by him/it (including, but not limited to any securities of our Company or Nice Ace (as the case may be) that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such share capital or other securities of our Company or Nice Ace (as the case may be) or any interest therein) or enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of such share capital of our Company or Nice Ace (as the case may be), whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities of our Company or Nice Ace (as the case may be), in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so; and
- (ii) at any time during the period of six months commencing on the date on which the First Six-month Period expires (the “Second Six-month Period”), offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital, debt capital or other securities of our Company or Nice Ace (as the case may be) or any interest therein held by him/it (including, but not limited to any securities of our Company or Nice Ace (as the case may be) that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such share capital or other securities of our Company or Nice Ace (as the case may be) or any interest therein) or enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of such share capital of our Company or Nice Ace (as the case may be), whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so if, immediately following such transaction, he/it would cease to be our Company’s controlling shareholder (as per the definition under the Listing Rules).

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Each of the Controlling Shareholders has further undertaken to us, the Stock Exchange, the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Underwriters that he/it will, at any time after the date of this prospectus and until the end of the Second Six-month Period:

- (i) upon any pledge or charge in favor of an authorized institution (as defined in the Banking Ordinance) of any Shares or securities or interests in the Shares or securities of our Company beneficially owned by him/it for a bona fide commercial loan, immediately inform our Company and the Joint Global Coordinators in writing of such pledge or charge together with the number of Shares or securities so pledged or charged; and
- (ii) upon any indication received by him/it, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities or interests in the Shares or securities of our Company will be disposed of, immediately inform our Company and the Joint Global Coordinators in writing of such indications.

Indemnity

Each of our Company and the Controlling Shareholders has agreed to jointly and severally indemnify the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Underwriters for certain losses which they may suffer or in respect of certain claims made or brought against any of them, including but not limited to losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach of the Hong Kong Underwriting Agreement.

Non-disposal undertakings by our other existing Shareholders

Pursuant to a separate conditional written undertaking dated May 29, 2009, OSSF Capital has undertaken to the Joint Sponsors, the Joint Global Coordinators, the Hong Kong Underwriters and our Company that, it shall not without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the applicable laws (including but not limited to the requirements of the Listing Rules, if applicable) during the period from the date of the written undertaking and ending on the date which is six-month from the Listing Date, offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital, debt capital or other securities of our Company or any interest therein held by it (including, but not limited to any securities of our Company that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such share capital or other securities of our Company or any interest therein) (other than any Shares acquired by OSSF Capital after the Listing Date) or enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of such share capital of our Company, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities of our Company, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so, other than transfers to any of its wholly-owned subsidiaries or transfers between its wholly-owned subsidiaries, on the basis that the transferee will be subject to and will undertake to comply with such restriction on disposals set out in the written undertaking.

Pursuant to the International Placing Agreement, it is expected that each of the Selling Shareholders will severally undertake to the Joint Global Coordinators and the International Placing Agents that, except as disclosed in this prospectus, it shall not without the prior written consent of the Joint Global Coordinators (on behalf of the International Placing Agents) and unless in compliance with applicable laws at any time during the period from the date of the International Placing Agreement until the end of the First Six-month Period offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital, debt capital or

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other securities of our Company or any interest therein held by it (including, but not limited to any securities of our Company that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such share capital or other securities of our Company or any interest therein) (other than any Shares acquired by such Selling Shareholders after the day when trading in our Shares commences on the Stock Exchange) or enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of such share capital of our Company, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities of our Company, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so, other than transfers to any of its wholly-owned subsidiaries or transfers between its wholly-owned subsidiaries, only on the basis that the transferee will be subject to and will undertake to comply with such restriction on disposals.

Pursuant to separate agreements, each of the Financial Investors has severally undertaken to the Joint Global Coordinators that, except as disclosed in this prospectus, it shall not without the prior written consent of the Joint Global Coordinators and unless in compliance with the requirements of applicable laws during the period from on around the date of the prospectus until the end of the First Six-month Period, offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital or other securities of the Company or any interest therein held by it (including, but not limited to any securities of the Company that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such share capital or other securities of the Company or any interest therein) (other than any Shares acquired by the undersigned after the Listing Date or any interest in the Facility Arrangements) or enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of such share capital of the Company, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities of the Company, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so, other than transfers to any of its wholly-owned subsidiaries or transfers between its wholly-owned subsidiaries, on the basis that the transferee will be subject to and will undertake to comply with the restriction on disposals set forth herein.

Commission

The Hong Kong Underwriters will receive a gross commission of 3.5% of the aggregate Offer Price of all the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering. For unsubscribed Hong Kong Offer Shares reallocated to the International Placing, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the International Placing Agents and not the Hong Kong Underwriters. The underwriting commission for any Hong Kong Offer Shares reallocated from the International Placing due to over-subscription will continue to be payable under the International Placing Agreement. In addition, we will pay the Joint Global Coordinators an additional incentive fee of 1% of the aggregate Offer Price of the total Offer Shares.

International Placing

In connection with the International Placing, it is expected that our Company, our Controlling Shareholders and the Selling Shareholders will enter into the International Placing Agreement with, among others, the International Placing Agents. Under the International Placing Agreement, it is expected that the International Placing Agents would, subject to certain conditions, severally and not jointly, agree to procure subscribers for or purchasers for, or failing which to subscribe for or purchase themselves, their respective applicable proportions (set forth in the International Placing Agreement) of the International Placing Shares being offered pursuant to the International Placing and which are not taken up under the International Placing.

Under the International Placing Agreement, the Selling Shareholders are expected to grant to the International Placing Agents the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf

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of the International Placing Agents for up to 30 days from the last day for the lodging of applications under the Hong Kong Public Offering, to require the Selling Shareholders to sell up to an aggregate of 86,580,000 Shares, representing approximately 15% of the number of Offer Shares initially available under the Global Offering. These Over-allotment Shares will be issued and sold at the Offer Price per Share (plus brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005% of the Offer Price) and will be for the purpose of, among other things, covering over-allocations, if any, in the International Placing.

Total Commissions and Expenses

Assuming an Offer Price of HK\$2.14 per Offer Share (being the midpoint of the indicative offer price range of HK\$1.72 to HK\$2.56 per Offer Share), the aggregate commissions and fees, together with the Stock Exchange listing fee, SFC transaction levy and Stock Exchange trading fee, applicable financial advisory fee to the Joint Sponsors, legal and other professional fees, printing and other expenses relating to the Global Offering, are estimated to amount in aggregate to be approximately HK\$180.0 million (assuming that the Over-allotment Option is not exercised) in total.

Other Relationships

From time to time, the Underwriters and their respective affiliates have engaged in, and may in the future engage in, investment banking, commercial banking and other commercial transactions with us in the ordinary course of business. For example, we entered into the Facility Agreement with two affiliates of Credit Suisse, among others, on June 23, 2007 whereby a US dollar term loan facility in an aggregate amount of up to US\$100,000,000 was made available to us. Under the Facility Agreement, a portion of the net proceeds received by us from the Global Offering must be used to repay such loan. See “Future Plans and Use of Proceeds”. As part of the consideration for providing the loan, Nice Ace, our Controlling Shareholder, granted Warrants to the two affiliates of Credit Suisse. See “History, Reorganization and Corporate Structure — Facility Arrangements”.

Except as otherwise described in this prospectus, none of the Hong Kong Underwriters has any shareholding interests in us or in any of our subsidiaries or has any right, legally enforceable or not, to subscribe for or to nominate persons to subscribe for our securities or securities of any of our subsidiaries.

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Following the completion of the Global Offering, the Underwriters and their affiliates may hold some of our Shares in connection with the performance of their obligations under the Underwriting Agreements.

The Global Offering

This prospectus is published in connection with the Hong Kong Public Offering which forms part of the Global Offering. The Global Offering comprises (assuming the Over-allotment Option is not exercised):

- (i) the Hong Kong Public Offering of an initial 57,720,000 Shares (subject to adjustment as mentioned below) (representing 10% of the initial total number of Offer Shares) in Hong Kong as described in the paragraph headed “The Hong Kong Public Offering” of this section;
- (ii) the International Placing of an initial 519,480,000 Shares (including the Sale Shares) (subject to adjustment as mentioned below) (representing 90% of the initial total number of Offer Shares) (a) in the United States with QIBs in reliance on Rule 144A; and (b) outside the United States in accordance with Regulation S.

Credit Suisse, BOCI and Macquarie are the Joint Global Coordinators and are the Joint Bookrunners of the Global Offering.

Investors may apply for the Shares under the Hong Kong Public Offering or indicated an interest, if qualified to do so, for the Shares under the International Placing, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Placing will involve selective marketing of the Shares to professional, institutional, corporate and other investors anticipated to have a sizeable demand for such Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Prospective professional, institutional, corporate and other investors will be asked to specify the number of the Shares under International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to the Price Determination Date.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Placing respectively may be subject to reallocation and, in the case of the International Placing only, the Over-allotment Option as described below in the paragraph headed “Over-allotment” of this section.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company, the Selling Shareholders and the Joint Global Coordinators, on behalf of the Underwriters, agreeing on the Offer Price. Our Company expects to enter into the International Placing Agreement relating to the International Placing on the Price Determination Date. These underwriting arrangements, and the respective Underwriting Agreements, are summarized in “Underwriting”.

The Hong Kong Public Offering

Number of Shares Initially Offered

Under the Hong Kong Public Offering, our Company is initially offering 57,720,000 Shares at the Offer Price for subscription by the public in Hong Kong, representing 10% of the total number of Shares initially available under the Global Offering. Subject to the reallocation of Shares between (i) the International Placing

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and (ii) the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 3.0% of our Company's issued share capital immediately after completion of the Global Offering.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed "Conditions of the Hong Kong Public Offering" of this section.

Conditions of the Hong Kong Public Offering

Acceptance of all applications for the Hong Kong Public Offer Shares in the Hong Kong Public Offering will be conditional on, among others:

- the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the existing issued Shares, the Offer Shares to be issued pursuant to the Global Offering and the Shares issuable on the exercise of any options which were granted under the Pre-IPO Share Option Scheme and options which may be granted under the Share Option Scheme;
- the Offer Price having been fixed on or around the Price Determination Date;
- the execution and delivery of the International Placing Agreement on or around the Price Determination Date; and
- the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the respective Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the Offer Price is not agreed by June 12, 2009 between our Company, the Selling Shareholders and the Joint Global Coordinators (on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, the other offerings becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by us in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on the website of the Stock Exchange at www.hkex.com.hk and our website at www.lumena.hk on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving bankers or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on the date that trading in the shares commences on the Stock Exchange, which is expected to be on June 16, 2009, provided that (i) the Global Offering has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms.

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Allocation

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applications. Such allocation could, where appropriate, consist of balloting, which would mean that some applications may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those, applications who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Shares available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided into two pools for allocation purposes: pool A and pool B. The Shares in pool A will be allocated on an equitable basis to applicants who have applied for Shares with an aggregate price of HK\$5 million (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable) or less. The Shares in pool B will be allocated on an equitable basis to applicants who have applied for Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Shares in one (but not both) of the pools are under subscribed, the surplus Shares will be transferred to the other pool to satisfy demand in this other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 28,860,000 Shares (being 50% of the 57,720,000 Shares initially comprised in the Hong Kong Public Offering) are liable to be rejected.

Reallocation

The allocation of the Shares between (i) the Hong Kong Public Offering and (ii) the International Placing is subject to adjustment. If the number of Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more of the number of Shares initially available under the Hong Kong Public Offering, then the Shares will be reallocated to the Hong Kong Public Offering from the International Placing. As a result of such reallocation, the total number of Shares available under the Hong Kong Public Offering will be increased to 173,160,000 Shares (in the case of (i)), 230,880,000 Shares (in the case of (ii)) and 288,600,000 Shares (in the case of (iii)) representing 30%, 40% and 50% of the Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option). In each case, the additional Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Shares allocated to the International Placing will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate. In addition, the Joint Global Coordinators may allocate Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed for, the Joint Global Coordinators have the authority (but not the obligation) to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as the Joint Global Coordinators deem appropriate.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing, and such applicant’s application is

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liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or if he has been or will be placed or allocated Offer Shares under the International Placing.

The listing of the Shares on the Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$2.56 per Offer Share in addition to any brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Share. If the Offer Price, as finally determined in the manner described in the paragraph headed “Pricing of the Global Offering” of this section below, is less than the maximum price of HK\$2.56 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. See “How to Apply For Hong Kong Offer Shares”.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

The International Placing

Number of Shares Offered

Subject to reallocation as described above, the International Placing will consist of 519,480,000 Shares (including the Sale Shares), assuming that the Over-allotment Option is not exercised.

Allocation

The International Placing will include selective marketing of Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Shares pursuant to the International Placing will be effected in accordance with the “book-building” process described in the paragraph headed “Pricing of the Global Offering” of this section below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the listing of the Shares on the Stock Exchange.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Shares under the International Placing, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application of Shares under the Hong Kong Public Offering.

Over-allotment

In connection with the Global Offering, the Selling Shareholders are expected to grant an Over-allotment Option to the International Placing Agents exercisable by the Joint Global Coordinators on behalf of the International Placing Agents.

Pursuant to the Over-allotment Option, the Joint Global Coordinators have the right, exercisable at any time from the day on which trading of the Shares commences on the Stock Exchange until thirty days after the last day for the lodging of applications under the Hong Kong Public Offering, to require the Selling Shareholders are to sell up to 86,580,000 additional Shares, representing no more than 15% of the initial Offer Shares, at the same price per Share under the International Placing, to cover, among other things, over-allocations in the

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International Placing, if any. In the event that the Over-allotment Option is exercised, a press announcement will be made.

Pricing of the Global Offering

The International Placing Agents will be soliciting from prospective investors indications of interest in acquiring Shares in the International Placing. Prospective professional and institutional investors will be required to specify the number of Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around June 9, 2009, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around June 10, 2009, and in any event on or before June 12, 2009, by agreement between the Joint Global Coordinators, on behalf of the Underwriters, our Company and the Selling Shareholders and the number of Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$2.56 per Offer Share and is expected to be not less than HK\$1.72 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.

The Joint Global Coordinators, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company reduce the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese), and on the website of the Stock Exchange at www.hkex.com.hk and our website at www.lumena.hk notices of any such reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range. Upon issue of a notice in the reduction of the Offer Price, the revised offer price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators, on behalf of the Underwriters and our Company and the Selling Shareholders, will be fixed within such revised offer price range. Applicants should have regard to the possibility that any announcement of any such reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the profit forecast for the year ending December 31, 2009 and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. **Applicants under the Hong Kong Public Offering should note that in no circumstances can applications be withdrawn once submitted, even if the number of Offer Shares being offered under the Global Offering and/or the offer price range is so reduced.** In the absence of any notice published in relation to the reduction in the Offer Price, the Offer Price, if agreed upon with our Company, the Selling Shareholders and the Joint Global Coordinators, will under no circumstances be set outside the offer price range as stated in this prospectus.

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The net proceeds of the Global Offering accruing to our Company (after deduction of underwriting fees and estimated expenses payable by our Company in relation to the Global Offering, assuming the Over-allotment Option is not exercised) are estimated to be approximately HK\$539.2 million, assuming an Offer Price per Share of HK\$1.72, or approximately HK\$863.3 million, assuming an Offer Price per Share of HK\$2.56.

The final Offer Price, the indications of interest in the Global Offering, the results of applications and the basis of allotment of Shares available under the Hong Kong Public Offering, are expected to be announced on June 15, 2009, in the manner set out in the paragraph “How to Apply for the Hong Kong Offer Shares — Results of Allocation” in this prospectus.

Stabilization

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

Credit Suisse has been appointed by us as the Stabilizing Manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilizing) Rules made under the SFO. In connection with the Global Offering, Credit Suisse, its affiliates or any person acting for it, as stabilizing manager, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the issue date. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements. However, there is no obligation on Stabilizing Manager, its affiliates or any person acting for it to do this. Such stabilization, if commenced, will be conducted at the absolute discretion of Stabilizing Manager, their affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period. The number of Shares that may be over-allocated will not be greater than the number of Shares which may be issued and sold upon exercise of the Over-allotment Option, being 86,580,000 Shares, which is approximately 15% of the Shares initially available under the Global Offering.

Stabilizing Manager, its affiliates or any person acting for it may take all or any of the following stabilizing actions in Hong Kong during the stabilization period:

- (i) purchase, or agree to purchase, any of the Shares or offer or attempt to do so for the sole purpose of preventing or minimizing any reduction in the market price of the Shares;
- (ii) in connection with any action described in paragraph (i) above;
 - (A) (1) over-allocate the Shares; or
 - (2) sell or agree to sell the Shares so as to establish a short position in them,for the sole purpose of preventing or minimizing any reduction in the market price of the Shares;
- (B) exercise the Over-allotment Option and purchase or subscribe for or agree to purchase or subscribe for the Shares in order to close out any position established under paragraph (A) above;

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- (C) sell or agree to sell any of the Shares acquired by it in the course of the stabilizing action referred to in paragraph (i) above in order to liquidate any position that has been established by such action; or
- (D) offer or attempt to do anything as described in paragraphs (ii)(A)(2), (ii)(B) or (ii)(C) above.

Credit Suisse, its affiliates or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the Shares, and there is no certainty as to the extent to which and the time period for which it will maintain such a position. Investors should be warned of the possible impact of any liquidation of the long position by the Joint Global Coordinators, their affiliates or any person acting for them, which may include a decline in the market price of the Shares.

Stabilization cannot be used to support the price of the Shares for longer than the stabilization period, which begins on the day on which trading of the Shares commences on the Stock Exchange and ends on the earlier of the thirtieth day after the last day for lodging of applications under the Hong Kong Public Offering or the commencement of trading of the Shares. The stabilization period is expected to expire on July 9, 2009, after which an announcement will be made pursuant to section 9 and schedule 3 of the Securities and Futures (Price Stabilization) Rules made under the SFO. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore then market price, could fall.

Any stabilizing action taken by the Stabilizing Manager, its affiliates or any person acting for it, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilization period. Stabilizing bids or market purchases effected in the course of the stabilization action may be made at any price at or below the Offer Price and can therefore be done at a price below the price the investor has paid in acquiring the Shares.

In connection with the Global Offering, the Stabilizing Manager may over-allocate up to and not more than an aggregate of 86,580,000 additional Shares and cover such over-allocation by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. It is currently expected that a stock borrowing agreement may be entered into between the Stabilizing Manager and Nice Ace, one of our Controlling Shareholders.

Dealing

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on June 16, 2009, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:30 a.m. on June 16, 2009.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. Methods of Application

There are three ways to make an application for the Hong Kong Offer Shares. You may apply for the Hong Kong Offer Shares by either (i) using a **WHITE** or **YELLOW** Application Form; (ii) submitting applications online through the designated website of the White Form eIPO Service Provider, referred herein as the “**White Form eIPO service**”, or (iii) giving **electronic application instructions** to HKSCC via CCASS to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf.

Except where you are a nominee and provide the required information in your application, you or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by any of the above methods.

2. Who can apply for Hong Kong Offer Shares

You can apply for the Hong Kong Offer Shares available for subscription by the public on a **WHITE** or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are not a U.S. person (as defined in Regulation S);
- are outside the United States; and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you wish to apply for Hong Kong Offer Shares online through the **White Form eIPO** service, in addition to the above you must also:

- have a valid Hong Kong identity card number, and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **White Form eIPO** service if you are an individual applicant. Corporations or joint applicants may not apply by means of **White Form eIPO**.

If the applicant is a firm, the application must be in the names of the individual members, not the firm’s name. If the applicant is a body corporate, the application form must be signed by a duly authorized officer, who must state his or her representative capacity.

If an application is made by a person duly authorized under a valid power of attorney, the Joint Global Coordinators (or their respective agents or nominees) may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

We, the Joint Global Coordinators or the designated White Form eIPO Service Provider (where applicable) or our or their respective agents have full discretion to reject or accept any application, in full or in part, without assigning any reason.

The Hong Kong Offer Shares are not available to existing beneficial owners of Shares, or Directors or chief executives of our Company or any of its subsidiaries, or their respective associates (as defined in the

HOW TO APPLY FOR HONG KONG OFFER SHARES

Listing Rules) or any other connected persons (as defined in the Listing Rules) of our Company or its subsidiaries or persons who will become our Company's connected persons immediately upon completion of the Global Offering.

You may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest for International Placing Shares under the International Placing, but may not do both.

3. Applying by using an Application Form

Which Application Form to Use

Use a **WHITE** Application Form if you want the Hong Kong Offer Shares to be issued in your own name.

Use a **YELLOW** Application Form if you want the Hong Kong Offer Shares issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on June 4, 2009 until 12:00 noon on June 9, 2009 from:

Credit Suisse (Hong Kong) Limited

45/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

or

BOCI Asia Limited

26/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

or

Macquarie Capital Securities Limited

Level 18, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

or

BOCOM International Securities Limited

9th Floor, Man Yee Building,
68 Des Voeux Road Central
Hong Kong

or

China International Capital Corporation Hong Kong Limited

29th Floor, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

or any of the following branches of Bank of China (Hong Kong) Limited:

	Branch Name	Branch address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Central District (Wing On House) Branch	71 Des Voeux Road Central
	409 Hennessy Road Branch	409-415 Hennessy Road, Wan Chai
	North Point (Kiu Fai Mansion) Branch	413 - 415 King's Road, North Point
	Taikoo Shing Branch	Shop G1006-7, Hoi Sing Mansion, Taikoo Shing
Kowloon	Aberdeen Branch	25 Wu Pak Street, Aberdeen
	Diamond Hill Branch	G107, Plaza Hollywood, Diamond Hill
	Whampoa Garden Branch	Shop G8B, Site 1, Whampoa Garden, Hung Hom
	Hoi Yuen Road Branch	55 Hoi Yuen Road, Kwun Tong
	Mong Kok (President Commercial Centre) Branch	608 Nathan Road, Mong Kok
	Humphrey's Avenue Branch	4-4A Humphrey's Avenue, Tsim Sha Tsui
New Territories	Hung Hom (Eldex Industrial Building) Branch	21 Ma Tau Wai Road, Hung Hom
	Lucky Plaza Branch	Lucky Plaza, Wang Pok Street, Shatin
	Tuen Mun Town Plaza Branch	Shop 2, Tuen Mun Town Plaza Phase II
	Kau Yuk Road Branch	18-24 Kau Yuk Road, Yuen Long

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on June 4, 2009 until 12:00 noon on June 9, 2009 from:

- (a) The Depository Counter of HKSCC at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong; or
- (b) Your stockbroker, who may have such Application Forms and this prospectus available.

How to Complete the Application Form

There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions your application may be rejected and returned by ordinary post together with the accompanying check or banker's cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.

You should note that by completing and submitting the Application Form, amongst other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee:

- (i) agree with our Company and each shareholder of our Company, and our Company agrees with each of its shareholders, to observe and comply with the Companies Ordinance, the Memorandum of Association and the Articles of Association;

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- (ii) agree with our Company and each shareholder of our Company that the Shares in our Company are freely transferable by the holders thereof;
- (iii) authorize our Company to enter into a contract on your behalf with each Director and officer of our Company whereby each such Director and officer undertakes to observe and comply with his obligations to shareholders as stipulated in the Articles of Association;
- (iv) confirm that you have only relied on the information and representations in this prospectus in making your application and will not rely on any other information and representations save as set out in any supplement to this prospectus;
- (v) agree that our Company and the Directors, the Joint Global Coordinators, the Underwriters, their respective directors, and any other parties involved in Global Offering are liable only for the information and representations contained in this prospectus and any supplement thereto;
- (vi) undertake and confirm that, you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for, take up or indicate an interest for, any Offer Shares under the International Placing;
- (vii) agree to disclose to our Company and/or its Hong Kong Share Registrar, receiving bankers, Joint Global Coordinators, Joint Sponsors and their respective advisers and agents personal data and any information which they require about you or the person(s) for whose benefit you have made the application;

In order for the **YELLOW** Application Forms to be valid:

You, as the applicant(s), must complete the form as indicated below and sign on the first page of the application form. Only written signatures will be accepted.

- (i) If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):
 - (A) the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box.
- (ii) If the application is made by an individual CCASS Investor Participant:
 - (A) the Application Form must contain the CCASS Investor Participant's name and Hong Kong identity card number; and
 - (B) the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the Application Form.
- (iii) If the application is made by a joint individual CCASS Investor Participant:
 - (A) the Application Form must contain all joint CCASS Investor Participants' names and the Hong Kong identity card numbers; and
 - (B) the participant I.D. must be inserted in the appropriate box in the Application Form.
- (iv) If the application is made by a corporate CCASS Investor Participant:
 - (A) the Application Form must contain the CCASS Investor Participant's company name and Hong Kong business registration number; and

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- (B) the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of participant I.D. or other similar matters may render the application invalid.

Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked “For nominees” account numbers or other identification codes for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner.

If your application is made through a duly authorized attorney, our Company and the Joint Global Coordinators as its agent may accept it at their discretion, and subject to any conditions they think fit, including evidence of the authority of your attorney. Our Company and the Joint Global Coordinators, in their capacity as our Company’s agent, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

4. Applying through White Form eIPO

General

- (a) You may apply through **White Form eIPO** by submitting an application through the designated website at www.eipo.com.hk if you satisfy the relevant eligibility criteria for this as set out in “2. Who can apply for Hong Kong Offer Shares” in this section and on the same website. If you apply through **White Form eIPO**, the Shares will be issued in your own name.
- (b) Detailed instructions for application through the **White Form eIPO** service are set out on the designated website at www.eipo.com.hk. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated White Form eIPO Service Provider and may not be submitted to our Company.
- (c) If you give **electronic application instructions** through the designated website at www.eipo.com.hk, you will have authorized the designated White Form eIPO Service Provider to apply on the terms and conditions set out in this prospectus, as supplemented and amended by the terms and conditions applicable to the **White Form eIPO** service.
- (d) In addition to the terms and conditions set out in this prospectus, the designated White Form eIPO Service Provider may impose additional terms and conditions upon you for the use of the **White Form eIPO** service. Such terms and conditions are set out on the designated website at www.eipo.com.hk. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.
- (e) By submitting an application to the designated White Form eIPO Service Provider through the **White Form eIPO** service, you are deemed to have authorized the designated White Form eIPO Service Provider to transfer the details of your application to our Company and our Hong Kong Share Registrar.
- (f) You may submit an application through the **White Form eIPO** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each **electronic application instruction** in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at www.eipo.com.hk.

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- (g) You should give **electronic application instructions** through **White Form eIPO** at the times set out in the paragraph headed “6. When May Applications Be Made” below.
- (h) You should make payment for your application made by **White Form eIPO** service in accordance with the methods and instructions set out in the designated website at www.eipo.com.hk. **If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on June 9, 2009, or such later time as described under the paragraph headed “Effects of bad weather conditions on the opening of the application lists” below, the designated White Form eIPO Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.eipo.com.hk.**
- (i) Once you have completed payment in respect of any **electronic application instruction** given by you or for your benefit to the designated White Form eIPO Service Provider to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular application reference number will not constitute an actual application.
- (j) **Warning:** The application for Hong Kong Offer Shares through the **White Form eIPO** service is only a facility provided by the designated White Form eIPO Service Provider to public investors. **Our Company, our Directors, the Joint Sponsors, the Joint Global Coordinators and the Underwriters take no responsibility for such applications, and provide no assurance that applications through the White Form eIPO service will be submitted to our Company or that you will be allotted any Hong Kong Offer Shares.**

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-served and electronic application process. As environmental protection is part of Computershare’s Corporate Social Responsibility Program, Computershare Hong Kong Investor Services Limited will contribute HK\$2 per each “LUMENA RESOURCES CORP.” **White Form eIPO** application submitted via www.eipo.com.hk to support the funding of “Source of DongJiang — Hong Kong Forest” project initiated by Friends of the Earth (HK).

Please note that Internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the White Form eIPO service, you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offering to submit your electronic application instructions. In the event that you have problems connecting to the designated website for the **White Form eIPO** service, you should submit a **WHITE** Application Form. However, once you have submitted electronic application instructions and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** or **YELLOW** Application Form or give **electronic application instructions** to HKSCC via CCASS.

Conditions of the White Form eIPO service

In using the **White Form eIPO** service to apply for the Hong Kong Offer Shares, the applicant shall be deemed to have accepted the following conditions:

That the applicant:

- **applies** for the desired number of Hong Kong Offer Shares on the terms and conditions of the Prospectus and **White Form eIPO** website subject to the Articles of Association of our Company;

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- **undertakes** and agrees to accept the Hong Kong Offer Shares applied for, or any lesser number allotted to the applicant on such application;
- **declares** that this is the only application made and the only application intended by the applicant to be made whether on a **WHITE** or **YELLOW** Application Form or by giving electronic application instruction to HKSCC or to the White Form eIPO Service Provider under the **White Form eIPO** service, to benefit the applicant or the person for whose benefit the applicant is applying;
- **undertakes and confirms** that the applicant and the person for whose benefit the applicant are applying have not applied for or taken up, or indicated an interest for, or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing, nor otherwise participate in the International Placing;
- **understands** that this declaration and representation will be relied upon by our Company in deciding whether or not to make any allotment of Hong Kong Offer Shares in response to such application;
- **authorizes** our Company to place the applicant's name on the register of members of our Company as the holder of any Hong Kong Offer Shares to be allotted to the applicant, and (subject to the terms and conditions set out in this prospectus) to send any share certificates and/or any refund check(s) by ordinary post at the applicant's own risk to the address given on the **White Form eIPO** application except where the applicant has applied for 1,000,000 or more Hong Kong Offer Shares and that applicant collects any share certificate(s) and/or refund check(s) in person in accordance with the procedures prescribed in the **White Form eIPO** website and this prospectus;
- **requests** that any refund check(s) be made payable to the applicant; and (subject to the terms and conditions set out in this prospectus) to send any refund checks by ordinary post and at the applicant's own risk to the address given on the **White Form eIPO** application (except where the applicant has applied for 1,000,000 or more Hong Kong Offer Shares and collects any refund check(s) in person in accordance with the procedures prescribed in the **White Form eIPO** website and the Prospectus);
- **has read** the terms and conditions and application procedures set out on in, the Prospectus and the **White Form eIPO** website and agree to be bound by them.
- **represents, warrants and undertakes** that the applicant, and any persons for whose benefit the applicant are applying are non-U.S. person(s) outside the United States (as defined in Regulation S under the U.S. Securities Act of 1933, as amended), when completing and submitting this Application Form or is a person described in paragraph (h)(3) of Rule 902 of Regulation S under the U.S. Securities Act of 1933, as amended or the allotment of or application for the Hong Kong Offer Shares to or by whom or for whose benefit this application is made would not require our Company to comply with any requirements under any law or regulation (whether or not having the force of law) of any territory outside Hong Kong; and
- **agrees** that such application, any acceptance of it and the resulting contract, will be governed by and construed in accordance with the laws of Hong Kong.

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Supplemental Information

If any supplement to this prospectus is issued, applicant(s) who have already submitted an **electronic application instruction** through the **White Form eIPO** service may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications through the **White Form eIPO** service that have been submitted remain valid and may be accepted. Subject to the above and below, an application once made through the **White Form eIPO** service is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

Effect of completing and submitting an application through the White Form eIPO service

By completing and submitting an application through the **White Form eIPO** service, you for yourself or as agent or nominee and on behalf of any person for whom you act as agent or nominee shall be deemed to:

- **instruct and authorize** our Company, the Joint Sponsors and/or the Joint Global Coordinators as agent for our Company (or their respective agents or nominees) to do on your behalf all things necessary to register any Hong Kong Offer Shares allotted to you in your name as required by the Articles of Association and otherwise to give effect to the arrangements described in this prospectus and the **White Form eIPO** website;
- **undertake** to sign all documents and to do all things necessary to enable you to be registered as the holder of the Hong Kong Offer Shares allocated to you and as required by the Articles of Association;
- **confirm** that you have received a copy of this prospectus and have only relied on the information and representations in this prospectus in **making** your application and will not rely on any other information and representations save as set out in any supplement to this prospectus;
- **agree** that our Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Underwriters and any of their respective directors, officers, employees, agents or advisors and any other parties involved in the Global Offering, are liable only for the information and representations contained in this prospectus and any supplement thereto;
- **agree** (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (if the application is made for your own benefit) **warrant** that this is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the White Form eIPO Service Provider via the **White Form eIPO** service;
- (if you are an agent for another person) **warrant** reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the White Form eIPO Service Provider via the **White Form eIPO** service, and that you are duly authorized to submit the application as that other person's agent;
- **undertake and confirm** that, you (if the application is made for your benefit) or the person(s) for whose benefit you have made this application have not applied for or taken up, or indicated an interest for, and will not apply for, take up or indicate an interest for, any Offer Shares under the International Placing;
- **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

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- **warrant** the truth and accuracy of the information contained in your application;
- **agree** to disclose to our Company, and/or its Hong Kong Share Registrar, receiving bankers, Joint Sponsors, Joint Global Coordinators and their respective advisers and agents personal data and any information which they require about you or the person(s) for whose benefit you have made this application;
- **agree** with our Company and each shareholder of our Company, and our Company agrees with each of its shareholder, to observe and comply with the Cayman Companies Law, Companies Ordinance, the Memorandum of Association and the Articles of Association;
- **agree** with our Company and each shareholder of our Company that the Shares in our Company are freely transferable by the holders thereof;
- **authorize** our Company to enter into a contract on your behalf with each Director and officer of our Company whereby each such Director and officer undertakes to observe and comply with his or her obligations to shareholders as stipulated in the Memorandum and Articles of Association;
- **represent, warrant and undertake** that you are not, and none of the other person(s) for whose benefit you are applying, is a U.S. person (as defined in Regulation S);
- **represent and warrant** that you understand that the Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended and you are outside the United States when completing the Application Form or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and the **White Form eIPO** website and agree to be bound by them;
- **undertake and agree** to accept the Shares applied for, or any lesser number allocated to you under your application;
- if the laws of any place outside Hong Kong are applicable to your application, **agree and warrant** that you have complied with all such laws and none of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Hong Kong Underwriters nor any of their respective officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus and the **White Form eIPO** website.
- **confirm** that you are aware of the restrictions on offering of the Hong Kong Offer Shares described in this prospectus; and
- **agree** that the processing of your application, including the despatch of refund check(s) (if any), may be done by any of the Company's receiving bankers and is not restricted to the bank at which your application form was lodged.

Our Company, the Joint Sponsors, the Joint Global Coordinators, the Underwriters and their respective directors, officers, employees, partners, agents, advisers, and any other parties involved in the Global Offering are entitled to rely on any warranty, representation or declaration made by you in such application.

Power of attorney

If your application is made by a duly authorized attorney, our Company, the Joint Sponsors or the Joint Global Coordinators, as its agents, may accept it at their discretion and subject to any conditions as any of them may think fit, including evidence of the authority of your attorney.

Additional Information

For the purposes of allocating Hong Kong Offer Shares, each applicant giving **electronic application instructions** through **White Form eIPO** service to the White Form eIPO Service Provider through the designated website at www.eipo.com.hk will be treated as an applicant.

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If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Hong Kong Offer Shares for which you have applied, or if your application is otherwise rejected by the designated White Form eIPO Service Provider, the designated White Form eIPO Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated White Form eIPO Service Provider on the designated website at www.eipo.com.hk.

Otherwise, any monies payable to you due to a refund for any of the reasons are set out below in the paragraph headed “10. Results of allocations — Despatch/Collection of Share Certificates and Refunds of Checks” in this section.

5. Applying by giving electronic application instructions to HKSCC via CCASS

General

CCASS Participants may give **electronic application instructions** to HKSCC via CCASS to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>)(using the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2/F Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You are deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to our Company and its Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS to Apply for Hong Kong Offer Shares by HKSCC Nominees On Your Behalf

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Offer Shares:

- (a) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

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- (b) HKSCC Nominees does the following things on behalf of each such person:
- agrees that the Hong Kong Offer Shares to be allocated shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted **electronic application instructions** on that person's behalf or that person's CCASS Investor Participant stock account;
 - undertakes and agrees to accept the Hong Kong Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;
 - undertakes and confirms that person has not applied for or taken up any Offer Shares under the International Placing or otherwise participated in the International Placing;
 - (if the **electronic application instructions** are given for that person's own benefit) declares that only one set of **electronic application instructions** has been given for that person's benefit;
 - (if that person is an agent for another person) declares that person has only given one set of **electronic application instructions** for the benefit of that other person and that person is duly authorized to give those instructions as that other person's agent;
 - understands that the above declaration will be relied upon by our Company, the Directors, the Joint Sponsors and the Joint Global Coordinators in deciding whether or not to make any allocation of Hong Kong Offer Shares in respect of the **electronic application instructions** given by that person and that person may be prosecuted if he makes a false declaration;
 - authorizes our Company to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Hong Kong Offer Shares allocated in respect of that person's **electronic application instructions** and to send Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between our Company and HKSCC;
 - confirms that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;
 - confirms that person has only relied on the information and representations in this prospectus in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf;
 - agrees that our Company and the Directors, the Joint Sponsors, the Joint Global Coordinators, the Underwriters, their respective directors, and any other parties involved in Global Offering are liable only for the information and representations contained in this prospectus;
 - agrees to disclose that person's personal data to our Company, the Joint Sponsors, the Joint Global Coordinators and/or their respective agents any information which they may require about that person;
 - agrees (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation;
 - agrees that any application made by HKSCC Nominees on behalf of that person pursuant to the **electronic application instructions** given by that person is irrevocable before the expiration of the fifth day after the closing of the application lists or such later date as the application lists may close

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as described under “Effect of bad weather on the opening of the application lists” below, such agreement to take effect as a collateral contract with our Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the expiration of the fifth day after the closing of the application lists, except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong), if a person responsible for this prospectus under Section 40 of the Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

- agrees that once the application of HKSCC Nominees is accepted, neither that application nor that person’s **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Public Offer published by our Company;
- agrees to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to Hong Kong Offer Shares;
- agrees with our Company, for itself and for the benefit of each of its shareholders (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for our Company and on behalf of each of its shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Memorandum of Association and the Articles of Association;
- agrees with our Company (for itself and for the benefit of each of its shareholders) that Shares in our Company are freely transferable by the holders thereof;
- authorizes our Company to enter into a contract on your behalf with each Directors and officers of our Company whereby each such Director and officer undertakes to observe and comply with their obligations to shareholders stipulated in the Articles of Association; and
- agrees that person’s application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC via CCASS or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- **instructed and authorized** HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for Hong Kong Offer Shares on your behalf;
- **instructed and authorized** HKSCC to arrange payment of the maximum offer price, brokerage, SFC transaction levy, and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the offer price per Share initially paid on application, refund of the application monies, in each case including brokerage, SFC transaction levy, and Stock Exchange trading fee by crediting your designated bank account; and

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- **instructed and authorized** HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purpose of considering whether multiple applications have been made. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Minimum Subscription Amount and Permitted Multiples

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** in respect of a minimum of 2,000 Hong Kong Offer Shares. Such instructions in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms.

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instructions is given will be treated as an applicant.

Section 40 of the Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

Personal Data

The section of the Application Form entitled “Personal Data” applies to any personal data held by our Company and the Hong Kong Share Registrar about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

Warning

The subscription for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Our Company, the Directors, the Joint Global Coordinators and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input of their **electronic application instructions** to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions**, they should either: (i) submit a **WHITE** or **YELLOW** Application Form; or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on June 9, 2009.

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6. When may applications be made

Applications on WHITE or YELLOW Application Forms

Completed **WHITE** or **YELLOW** Application Forms, together with payment attached, must be lodged by 12:00 noon on June 9, 2009, or, if the application lists are not open on that day, by the time and date stated in the sub-paragraph headed “Effect of Bad Weather on the Opening of the Application Lists” of this section below. Check(s) or banker’s cashier order(s) should be crossed “Account Payee Only” and made payable to “Bank of China (Hong Kong) Nominees Limited — Lumena Public Offer”.

Your completed Application Form, together with payment attached, should be deposited in the special collection boxes provided at any of the branches of Bank of China (Hong Kong) Limited, listed under the sub-paragraph headed “Where to collect the Application Forms” above at the following times:

Thursday, June 4, 2009	– 9:00 a.m. to 5:00 p.m.
Friday, June 5, 2009	– 9:00 a.m. to 5:00 p.m.
Saturday, June 6, 2009	– 9:00 a.m. to 1:00 p.m.
Monday, June 8, 2009	– 9:00 a.m. to 5:00 p.m.
Tuesday, June 9, 2009	– 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on June 9, 2009.

No proceedings will be taken on applications for the Shares and no allotment of any such Shares will be made until after the closing of the application lists. No allotment of any of the Shares will be made later than July 3, 2009.

White Form eIPO

You may submit your application to the designated White Form eIPO Service Provider through the designated website at www.eipo.com.hk from 9:00 a.m. on June 4, 2009 until 11:30 a.m. on June 9, 2009 or such later time as described under the paragraph headed “Effects of bad weather conditions on the opening of the application lists” below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on June 9, 2009, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed “Effects of bad weather on the opening of the application lists” below.

You will not be permitted to submit your application to the designated White Form eIPO Service Provider through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

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Electronic Application Instructions to HKSCC via CCASS

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Thursday, June 4, 2009	– 9:00 a.m. to 8:30 p.m.⁽¹⁾
Friday, June 5, 2009	– 8:00 a.m. to 8:30 p.m.⁽¹⁾
Saturday, June 6, 2009	– 8:00 a.m. to 1:00 p.m.⁽¹⁾
Monday, June 8, 2009	– 8:00 a.m. to 8:30 p.m.⁽¹⁾
Tuesday, June 9, 2009	– 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on June 4, 2009 until 12:00 noon on June 9, 2009 (24 hours daily, except the last application day).

The latest time for inputting **electronic application instructions** via CCASS will be 12:00 noon on June 9, 2009, the last application day, or if the application lists are not open on that day, by the time and date stated in the paragraph headed “Effects of bad weather on the opening of the application lists” below.

Effect of Bad Weather on the Opening of the Application Lists

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning signal,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on June 9, 2009. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warning signals in force in Hong Kong at anytime between 9:00 a.m. and 12:00 noon.

If the application lists of the Hong Kong Offer do not open and close on June 9, 2009 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong on the other dates mentioned in the section headed “Expected Timetable” in this prospectus, such dates mentioned in the section headed “Expected Timetable” in this prospectus may be affected. An announcement will be made in such event.

7. How many applications you may make

Multiple applications or suspected multiple applications are liable to be rejected.

You may make more than one application for Hong Kong Offer Shares if and only if:

You are a nominee, in which case you may both give **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Participant) and lodge more than one Application Form in your own name if each application is made on behalf of different beneficial owners. In the box on the Application Form marked “For nominees” you must include:

- an account number; or

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- some other identification code

for each beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

Otherwise, multiple applications are not allowed.

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit to the designated **White Form eIPO** Service Provider to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service by giving **electronic application instructions** through the designated website at www.eipo.com.hk and completing payment in respect of such **electronic application instructions**, or of submitting one application through the **White Form eIPO** service and one or more applications by any other means, all of your applications are liable to be rejected.

If you have made an application by giving **electronic application instructions** to HKSCC via CCASS and you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made. No application for any other number of Hong Kong Offer Shares will be considered any such application is liable to be rejected.

It will be a term and condition of all applications that by completing and delivering an Application Form or submitting an **electronic application instruction**, you:

- (if the application is made for your own benefit) warrant that this is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the designated White Form eIPO Service Provider through **White Form eIPO** service; or
- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the designated White Form eIPO Service Provider through **White Form eIPO** service and that you are duly authorized to sign the Application Form or give **electronic application instructions** as that other person's agent.

Save as referred to above, all of your applications will be rejected as multiple applications if you, or you and your joint applicant(s) together:

- make more than one application (whether individually or jointly) on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the designated White Form eIPO Service Provider through **White Form eIPO** service;

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- both apply (whether individually or jointly) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give **electronic application instructions** to HKSCC or to the designated White Form eIPO Service Provider through **White Form eIPO** service;
- apply on one **WHITE** or **YELLOW** Application Form (whether individually or jointly) or by giving **electronic application instructions** to HKSCC via CCASS or to the designated White Form eIPO Service Provider through **White Form eIPO** service for more than 28,860,000 Hong Kong Offer Shares, being 50 per cent. of the Hong Kong Offer Shares initially being offered for public subscription under the Hong Kong Public Offering, as more particularly described in “Structure of the Global Offering — The Hong Kong Public Offering”; or
- have applied for or taken up, or indicated an interest for, or have been or will be placed (including conditionally and/or provisionally) Offer Shares under the International Placing.

All of your applications will also be rejected as multiple applications if more than one application is made for **your benefit** (including the part of the application made by HKSCC Nominees acting on your **electronic application instructions**). If an application is made by an unlisted company and

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of our Company; or
- control more than half of the voting power of our Company; or
- hold more than half of the issued share capital of our Company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

8. Circumstances in which you will not be allotted Hong Kong Offer Shares

Full details of the circumstances in which you will not be allotted the Hong Kong Offer Shares are set out in the notes attached to the Application Forms, and you should read them carefully. You should note in particular the following situations in which Hong Kong Offer Shares will not be allotted to you:

(a) If your application is revoked

By completing and submitting an Application Form or submitting **electronic application instructions** to HKSCC via CCASS or the designated White Form eIPO Service Provider through **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees or the White Form eIPO Service Provider on your behalf cannot be revoked before the expiration of the fifth day after the closing of the application lists or such later date as the application lists may close as described under “Effect of bad weather on the opening of the application lists” above. This agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your application or give **electronic application instructions**

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to HKSCC via CCASS and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the expiration of the fifth day after the closing of the application lists except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees or the White Form eIPO Service Provider on your behalf may be revoked before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC Nominees or the White Form eIPO Service Provider on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the announcement of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(b) Full discretion of our Company, the Joint Sponsors, the Joint Global Coordinators or the designated White Form eIPO Service Provider (where applicable) or its or their respective agent and nominees to reject or accept your application

The Company, the Joint Sponsors and the Joint Global Coordinators (as agent for our Company) or the designated White Form eIPO Service Provider (where applicable), or their respective agents and nominees, have full discretion to reject or accept any application, or to accept only part of any application.

The Company, the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Underwriters, in their capacity as our Company's agents, and their agents and nominees do not have to give any reason for any rejection or acceptance.

(c) If the allotment of Hong Kong Offer Shares is void

The allotment of Hong Kong Offer Shares to you or to HKSCC Nominees (if you give **electronic application instructions** or apply using a **YELLOW** Application Form) will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing of the application lists; or
- within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

(d) You will not receive any allotment if:

- you make multiple applications or suspected multiple applications;

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- you or the person for whose benefits you apply for have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares in the International Placing. By filling in any of the Application Forms or apply by giving **electronic application instructions**, you agree not to apply for Hong Kong Offer Shares as well as Offer Shares in the International Placing. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received Offer Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offering;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions set out in the designated website at www.eipo.com.hk;
- your payment is not made correctly or you pay by check or banker's cashier order and the check or banker's cashier order is dishonored upon its first presentation;
- your Application Form is not completed in accordance with the instructions stated in the Application Form (if you apply by an Application Form);
- you apply for more than 28,860,000 Hong Kong Offer Shares (being 50% of the Hong Kong Offer Shares initially available for subscription under the Hong Kong Public Offering);
- the Underwriting Agreements do not become unconditional; or
- the Underwriting Agreements are terminated in accordance with their respective terms.

You should also note that you may apply for Shares under the Hong Kong Public Offering or indicate an interest for Offer Shares under the International Placing, but may not do both.

9. How much are the Hong Kong Offer Shares

The maximum offer price is HK\$2.56 per Share. You must also pay a brokerage fee of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005% in full. This means that for every board lot of 2,000 Hong Kong Offer Shares you will pay approximately HK\$5,171.66. The Application Forms have tables showing the exact amount payable for certain number of Shares up to 28,860,000 Hong Kong Offer Shares.

You must pay the amount payable upon application for the Shares by one check or one banker's cashier order in accordance with the terms set out in the Application Form (if you apply by an Application Form).

If your application is successful, brokerage is paid to participants of the Stock Exchange or the Stock Exchange (as the case may be), the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected on behalf of the SFC).

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10. Results of Allocations

Results of allocations in the Hong Kong Public Offering, including the Offer Price, the level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Placing, the basis of allotment of Hong Kong Offer Shares will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on June 15, 2009 or on our website at www.lumena.hk and the website of the Stock Exchange at www.hkex.com.hk:

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and dates and in the manner specified below:

- Results of allocations for the Hong Kong Public Offering will be available on our results of allocation website at www.iporesults.com.hk on a 24-hour basis from 8:00 a.m. on June 15, 2009 to 12:00 midnight on June 21, 2009. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application to search for his/her/its own allocation result;
- Results of allocations will be available from our Hong Kong Public Offering allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Offer Shares allocated to them, if any, by calling **2862 8669** between 9:00 a.m. and 10:00 p.m. from June 15, 2009 to, June 18, 2009; and
- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from June 15, 2009 to June 17, 2009 at all the receiving bank branches and sub-branches at the addresses set out in the section headed “— Where to Collect the Application Forms.”
- Results of allocations for the Hong Kong Public Offering can be found in the announcement to be posted on the Company’s website at www.lumena.hk and the website of the Stock Exchange at www.hkex.com.hk on June 15, 2009.

Despatch/Collection of Share Certificates and Refund Checks

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the Offer Price of HK\$2.56 per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) initially paid on application, or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with “Structure of the Global Offering — The Hong Kong Public Offering — Conditions of the Hong Kong Public Offering” or if any application is revoked or any allotment pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage fee, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

No temporary documents of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. Share certificates will only become valid certificates of title at 8:00 a.m. on June 16, 2009 provided that the Hong Kong Public Offering has become unconditional in all respects and the right of termination described in “Underwriting — Grounds for Termination of the Hong Kong Underwriting Agreement” has not been exercised.

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If you apply by **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** through **White Form eIPO** service, subject as mentioned below, in due course, there will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on your Application Form:

- (i) (a) Share certificate(s) for all the Hong Kong Offer Shares applied for, if the application is wholly successful; or (b) Share certificate(s) for the number of Hong Kong Offer Shares successfully applied for, if the application is partially successful (for wholly successful and partially successful applicants on **YELLOW** Application Forms: Share certificates for their Shares successfully applied for will be deposited into CCASS as described below); and/or
- (ii) refund check(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (a) the surplus application monies for the Hong Kong Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (b) all the application monies, if the application is wholly unsuccessful; and/or (c) the difference between the Offer Price and the maximum offer price per Share paid on application in the event that the Offer Price is less than the offer price per Share initially paid on application, in each case including the brokerage fee of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%, attributable to such refund/ surplus monies but without interest.

Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund check, if any. Such data would also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund check. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate your refund check.

Subject as mentioned below, refund checks for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and share certificates for successful applicants under **WHITE** and **YELLOW** Application Forms and **White Form eIPO** are expected to be posted on or before June 15, 2009. The right is reserved to retain any share certificates and any surplus application monies pending clearance of check(s).

If you apply by giving electronic application instructions to HKSCC via CCASS, and your application is wholly or partially successful:

- (a) your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instruction** on your behalf or your CCASS Investor Participant stock account at the close of business on June 15, 2009 or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees; and
- (b) refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the initial price per Hong Kong Offer Share paid on application, in each case including the related brokerage fee of 1%, SFC transaction levy of 0.004%, and Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on June 15, 2009. No interest will be paid thereon.

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*If you apply using a **WHITE** Application Form*

If you apply for 1,000,000 Hong Kong Offer Shares or more on a **WHITE** Application Form and have indicated your intention in your Application Form to collect your refund check(s) (where applicable) and/or Share certificate(s) (where applicable) from Computershare Hong Kong Investor Services Limited and have provided all information required by your Application Form, you may collect your refund check(s) (where applicable) and Share certificate(s) (where applicable) from Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on June 15, 2009 or such other date as notified by our Company in the newspapers as the date of collection/despatch of refund checks/Share certificates. If you are an individual who opts for personal collection, you must not authorize any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorized representative bearing a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited. If you do not collect your refund check(s) (where applicable) and/or Share certificate(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified in your Application Form thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares or if you apply for 1,000,000 Hong Kong Offer Shares or more but have not indicated on your Application Form that you will collect your refund check(s) (where applicable) and/or Share certificate(s) (where applicable) in person, your refund check(s) (where applicable) and/or Share certificate(s) (where applicable) will be sent to the address on your Application Form on June 15, 2009, by ordinary post and at your own risk.

*If you apply using a **YELLOW** Application Form*

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund checks (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above.

If you apply for less than 1,000,000 Hong Kong Offer Shares or if you apply for 1,000,000 Hong Kong Offer Shares or more but have not indicated on your Application Form that you will collect your refund check(s) in person, your refund check(s) will be sent to the address on your Application Form on June 15, 2009, by ordinary post and at your own risk.

If you apply for Hong Kong Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form at the close of business on June 15, 2009, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):

- for Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant:

- our Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in accordance with the details set out in

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“10. Results of Allocations” in this section. You should check the results published by our Company and report any discrepancies to HKSCC before 5.00 p.m. on June 15, 2009 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

If you apply through White Form eIPO

If you apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service by submitting an **electronic application instruction** to the designated White Form eIPO Service Provider through the designated website at www.eipo.com.hk and your application is wholly or partially successful, you may collect your Share certificate(s) and/or refund check(s) (where applicable) in person from Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on June 15, 2009, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of Share certificates/refund checks.

If you do not collect your Share certificate(s) and/or refund check(s) personally within the time specified for collection, they will be sent to the address specified in your **electronic application instructions** to the designated White Form eIPO Service Provider thereafter, by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) and/or refund check(s) (where applicable) will be sent to the address specified in your application instructions to the designated White Form eIPO Service Provider through the designated website at www.eipo.com.hk on June 15, 2009 by ordinary post and at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated White Form eIPO Service Provider set out above in the paragraph headed “4. Applying Through **White Form eIPO** — Additional information”.

If you apply by giving electronic application instructions through HKSCC Nominees

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instructions is given will be treated as an applicant.

No temporary document of title will be issued. No receipt will be issued for application monies received.

If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account at the close of business on June 15, 2009 or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you apply by giving **electronic application instructions** through HKSCC Nominees, you should check the results published by us in accordance with the details set out in the paragraph headed “10. Results of Allocations” in this section and report any discrepancies to HKSCC before 5:00 p.m. on June 15, 2009 or such other date as shall be determined by HKSCC or HKSCC Nominees.

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If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on June 15, 2009. HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

11. Refund of Application Monies

If you do not receive any Hong Kong Offer Shares for any reason, our Company will refund your application monies, including a brokerage fee of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%. No interest will be paid thereon. All interest accrued on such monies prior to the date of despatch of refund checks will be retained for the benefit of our Company.

If your application is accepted only in part, our Company will refund the appropriate portion of your application monies, including the related a brokerage fee of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%, without interest.

If the Offer Price as finally determined is less than the offer price per Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) initially paid on application, our Company will refund the surplus application monies, together with the related a brokerage fee of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%, without interest.

In a contingency situation involving a substantial over-subscription, at the discretion of our Company, the Joint Sponsors and the Joint Global Coordinators, checks for applications for certain small denominations of Hong Kong Offer Shares (apart from successful applications) may not be cleared.

Refund of your application monies (if any) will be made on June 15, 2009 in accordance with the various arrangements as described above.

12. Dealings and Settlement

Commencement of Dealings in the Shares

Dealings in the Shares on the Stock Exchange are expected to commence on June 16, 2009.

The Shares will be traded in board lots of 2,000 each. The stock code of the Shares is 67.

Shares will be Eligible for Admission into CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

HOW TO APPLY FOR HONG KONG OFFER SHARES

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.



Member of Grant Thornton International Ltd

June 4, 2009

The Directors
Lumena Resources Corp.

Credit Suisse (Hong Kong) Limited
Somerley Limited

Dear Sirs,

We set out below our report on the financial information regarding Lumena Resources Corp. (the “Company”) and its subsidiaries (collectively referred to as the “Group”) including the consolidated income statements, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group for each of the three years ended December 31, 2006, 2007 and 2008 (the “Relevant Periods”) and the consolidated balance sheets of the Group as at December 31, 2006, 2007 and 2008 and the Company’s balance sheet as at December 31, 2007 and 2008 together with explanatory notes thereto (the “Financial Information”), for inclusion in the prospectus of the Company dated June 4, 2009 (the “Prospectus”) in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated in the Cayman Islands on April 12, 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganization (the “Reorganization”) as fully explained in the section headed “Corporate reorganization” in Appendix VII to the Prospectus, the Company has since June 12, 2007 become the ultimate holding company of the subsidiaries now comprising the Group as set out in Note 1 of Section II below. The principal activity of the Company is investment holding.

Details of the Company’s direct and indirect interests in its subsidiaries at the date of this report are set out in Note 1 of Section II. All companies now comprising the Group have adopted December 31 as their financial year end date. Details of the financial statements of the companies comprising the Group that are subject to audit and names of the respective auditors are set out in Note 1 of Section II.

For the purpose of this report, the directors of the Company have prepared the financial statements of the Company and the Group for the Relevant Periods in accordance with International Financial Reporting Standards (“IFRSs”) (the “IFRSs Financial Statements”). We have carried out an independent audit on the IFRSs Financial Statements of the Group for each of the three years ended December 31, 2006, 2007 and 2008 in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The Financial Information has been prepared based on the IFRSs Financial Statements with no adjustments made thereon, and on the basis set out in Note 2 of Section II.

DIRECTORS' RESPONSIBILITY

The directors of the Company are responsible for the preparation and the true and fair presentation of the IFRSs Financial Statements and the Financial Information in accordance with IFRSs. The responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the IFRSs Financial Statements and the Financial Information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

REPORTING ACCOUNTANTS' RESPONSIBILITY

For the Financial Information for each of the years ended December 31, 2006, 2007 and 2008 our responsibility is to express an opinion on the Financial Information based on our examination and to report our opinion to you. We examined the IFRSs Financial Statements, and carried out such additional procedures as we consider necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by HKICPA.

OPINION

In our opinion, the Financial Information set out below, for the purpose of this report, gives a true and fair view of the state of affairs of the Company as at December 31, 2007 and 2008 and of the Group as at December 31, 2006, 2007 and 2008 and of the Group's results and cash flows for the years then ended.

APPENDIX I ACCOUNTANTS' REPORT OF LUMENA RESOURCES CORP.

I. FINANCIAL INFORMATION
Consolidated Income Statements

	Notes	Year ended December 31,		
		2006	2007	2008
		RMB'000	RMB'000	RMB'000
Revenue	6	204,755	371,530	1,140,354
Cost of sales	8	(112,430)	(151,295)	(343,794)
Gross profit		92,325	220,235	796,560
Other revenue and gains	9	4,618	5,324	3,128
Selling and distribution expenses		(24,565)	(6,912)	(11,147)
Other operating expenses		(14,429)	(69,223)	(67,878)
Repair expenses arising from earthquake	10(ii)	—	—	(8,280)
Operating profit	10	57,949	149,424	712,383
Finance costs	11	(7,079)	(34,521)	(98,800)
Profit before income tax		50,870	114,903	613,583
Income tax expense	13	(1,616)	(25,901)	(171,503)
Profit for the year		<u>49,254</u>	<u>89,002</u>	<u>442,080</u>
Attributable to				
Equity holders of the Company		44,029	78,950	429,739
Minority interests		5,225	10,052	12,341
		<u>49,254</u>	<u>89,002</u>	<u>442,080</u>
		RMB cents	RMB cents	RMB cents
Earnings per share attributable to the equity holders of the Company				
— Basic	14	<u>2.90</u>	<u>5.19</u>	<u>28.27</u>

Consolidated Balance Sheets

	Notes	At December 31,		
		2006	2007	2008
		RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	16	69,210	611,885	806,214
Land use rights	17	25,011	56,400	57,709
Goodwill	18	8,386	8,386	8,386
Mining rights	19	218	245,070	404,470
Other intangible asset	21	17,588	17,588	17,588
Deposits paid for acquisition of property, plant and equipment	16(c)	—	—	309,741
		<u>120,413</u>	<u>939,329</u>	<u>1,604,108</u>
Current assets				
Inventories	22	5,406	7,929	8,270
Trade and other receivables, deposits and prepayments	23	156,366	248,728	258,298
Pledged bank deposits	24	—	46,988	32,394
Cash and cash equivalents	25	1,663	71,057	827
		<u>163,435</u>	<u>374,702</u>	<u>299,789</u>
Current liabilities				
Trade and other payables	26	84,446	330,486	360,795
Bank borrowings	27	83,900	12,600	258,947
Tax payable		1,509	11,026	34,995
		<u>169,855</u>	<u>354,112</u>	<u>654,737</u>
Net current (liabilities) / assets		<u>(6,420)</u>	<u>20,590</u>	<u>(354,948)</u>
Total assets less current liabilities		<u>113,993</u>	<u>959,919</u>	<u>1,249,160</u>
Non-current liabilities				
Bank borrowings	27	—	631,049	423,618
Net assets		<u>113,993</u>	<u>328,870</u>	<u>825,542</u>
EQUITY				
Share capital	30(b)	1	77	113
Reserves	31(b)	96,143	300,892	785,187
Equity attributable to equity holders of the Company		96,144	300,969	785,300
Minority interests		17,849	27,901	40,242
Total equity		<u>113,993</u>	<u>328,870</u>	<u>825,542</u>

Balance Sheets

	Notes	At December 31,		
		2006	2007	2008
		RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES				
Non-current assets				
Interests in subsidiaries	20	—	740,679	728,974
Current assets				
Other receivables and prepayments	23	—	73	6,885
Amounts due from subsidiaries	28	—	43,288	—
Pledged bank deposits	24	—	33,081	32,355
		—	76,442	39,240
Current liabilities				
Other payables	26	—	29,403	124,916
Bank borrowings	27	—	—	169,447
		—	29,403	294,363
Net current assets / (liabilities)		—	47,039	(255,123)
Total assets less current liabilities		—	787,718	473,851
Non-current liabilities				
Bank borrowings	27	—	631,049	423,618
Net assets		—	156,669	50,233
EQUITY				
Share capital	30(a)	—	77	113
Reserves	31(a)	—	156,592	50,120
Total equity		—	156,669	50,233

Consolidated Statements of Changes in Equity

Equity attributable to equity holders of the Company												
Share capital	Share premium	Share option reserve	Pre-IPO share option reserve			Statutory reserves	Translation reserve	Retained profits	Total	Minority interests	Total equity	
			RMB'000	RMB'000	RMB'000							RMB'000
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
1	—	27,872	(note 31(b)(iii))	(note 32)	(note 31(b)(iv))	(note 31(b)(v))	1,663	19,698	49,234	12,624	61,858	
At January 1, 2006												
Exchange difference arising on translation of overseas operations /												
Income recognized directly in equity	—	—	—	—	—	—	2,881	—	2,881	—	2,881	
Profit for the year	—	—	—	—	—	—	—	44,029	44,029	5,225	49,254	
Total recognized income and expense for the year	—	—	—	—	—	—	2,881	44,029	46,910	5,225	52,135	
Appropriations	—	—	—	—	—	7,859	—	(7,859)	—	—	—	
At December 31, 2006 and January 1, 2007	1	—	27,872	—	—	7,859	4,544	55,868	96,144	17,849	113,993	
Exchange difference arising on translation of overseas operations /												
Income recognized directly in equity	—	—	—	—	—	—	22,260	—	22,260	—	22,260	
Profit for the year	—	—	—	—	—	—	—	78,950	78,950	10,052	89,002	
Total recognized income and expense for the year	—	—	—	—	—	—	22,260	78,950	101,210	10,052	111,262	
Issue of shares by the Company	77	27,872	(27,872)	—	—	—	—	—	77	—	77	
Arising from Shares Swap (note 31(b)(iii))	(1)	—	—	—	—	—	—	—	(1)	—	(1)	
Capital contribution (note 31(b)(iv))	—	—	—	—	103,539	—	—	—	103,539	—	103,539	
Appropriations	—	—	—	—	—	22,291	—	(22,291)	—	—	—	
At December 31, 2007 and January 1, 2008	77	27,872	—	—	103,539	30,150	26,804	112,527	300,969	27,901	328,870	
Exchange difference arising on translation of overseas operations /												
Income recognized directly in equity	—	—	—	—	—	—	40,792	—	40,792	—	40,792	
Profit for the year	—	—	—	—	—	—	—	429,739	429,739	12,341	442,080	
Total recognized income and expense for the year	—	—	—	—	—	—	40,792	429,739	470,531	12,341	482,872	
Recognition of share-based payments	—	—	—	—	—	—	—	—	13,800	—	13,800	
Issue of new shares upon capitalization issue												
(note 30(a)(iv))	36	(36)	—	—	—	—	—	—	—	—	—	
Appropriations	—	—	—	—	—	88,309	—	(88,309)	—	—	—	
At December 31, 2008	113	27,836	—	13,800	103,539	118,459	67,596	453,957	785,300	40,242	825,542	

Consolidated Cash Flow Statements

	Year ended December 31,		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Cash flows from operating activities			
Profit before income tax	50,870	114,903	613,583
Adjustments for:			
Interest income	(325)	(3,981)	(1,300)
Interest expense	7,079	34,521	98,800
Depreciation of property, plant and equipment	10,308	13,173	41,228
Loss / (Gain) on disposal of property, plant and equipment	—	113	(364)
Amortization of land use rights	611	611	1,274
Amortization of mining rights	119	119	4,236
Impairment of receivables	164	9,949	—
Stocks-write off	—	—	913
Share-based payments	—	—	13,800
Foreign exchange differences	2,915	22,435	3,011
Operating profit before working capital changes	71,741	191,843	775,181
Increase in trade and other receivables, deposits and prepayments	(84,560)	(102,311)	(9,570)
Decrease / (Increase) in inventories	1,119	(2,523)	(1,254)
Increase in trade and other payables	1,679	77,300	134,687
Cash (used in) / generated from operations	(10,021)	164,309	899,044
Income tax paid	(107)	(16,384)	(147,534)
<i>Net cash (used in) / generated from operating activities</i>	<u>(10,128)</u>	<u>147,925</u>	<u>751,510</u>
Cash flows from investing activities			
Interest received	325	3,981	1,300
Decrease / (Increase) in pledged bank deposits	30,000	(46,988)	14,594
Purchase of property, plant and equipment	(6,810)	(502,183)	(225,894)
Proceeds from disposal of property, plant and equipment	—	—	880
Deposits paid for acquisition of property, plant and equipment	—	—	(309,741)
Payment for purchase of land use rights	—	(3,000)	(31,583)
Payment for acquisition of mining rights	—	(159,196)	(249,411)
<i>Net cash generated from / (used in) investing activities</i>	<u>23,515</u>	<u>(707,386)</u>	<u>(799,855)</u>
Cash flows from financing activities			
New bank loans	88,690	767,188	106,400
Issue of share capital	—	76	—
Repayment of bank loans	(96,363)	(103,900)	(29,500)
Interest paid	(7,079)	(34,521)	(98,800)
<i>Net cash (used in) / generated from financing activities</i>	<u>(14,752)</u>	<u>628,843</u>	<u>(21,900)</u>
Net (decrease) / increase in cash and cash equivalents	(1,365)	69,382	(70,245)
Cash and cash equivalents at beginning of year	3,008	1,663	71,057
Effect of foreign exchange rate changes	20	12	15
Cash and cash equivalents at end of year	<u>1,663</u>	<u>71,057</u>	<u>827</u>

APPENDIX I ACCOUNTANTS' REPORT OF LUMENA RESOURCES CORP.

II. NOTES TO THE FINANCIAL INFORMATION

1. FORMATION OF THE GROUP

The Company was incorporated in the Cayman Islands on April 12, 2007 as an exempted company with limited liability under the Companies Law of Cayman Islands in preparation for a listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing"). The address of the Company's registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The Group is principally engaged in processing and sale of powder thenardite, specialty thenardite and medical thenardite.

At the date of this report, the particulars of the subsidiaries in which the Company has direct or indirect interests are set out as follows:

Name	Country / Place and date of incorporation / establishment and kind of legal entity	Particulars of issued and fully paid share capital / registered capital	Effective interest held by the Company	Principal activities	Name of the auditors for 2006, 2007 and 2008
Interests held directly					
Rich Light International Limited ("Rich Light")	Incorporated on August 5, 2005 in the British Virgin Islands ("BVI"), limited liability company	U.S. dollars ("US\$")100	100%	Investment holding	No statutory audit requirements
Interests held indirectly					
Top Promise Resources Limited ("Top Promise")	Incorporated on February 21, 2005 in Hong Kong, limited liability company	Hong Kong dollars ("HK\$")1	100%	Investment holding	Williamson Lam Certified Public Accountant (Practicing)
Sichuan Chuanmei Mirabilite Co., Ltd. 四川省川眉芒硝有限公司 ("Chuanmei Mirabilite")	Established on June 1, 2001 in the People's Republic of China ("PRC"), sino-foreign joint venture	RMB142,077,000	90%	Processing and sale of powder thenardite and medical thenardite	Sichuan Yongli Accounting Firm, Ltd. 四川永立會計師事務所有限公司
Sichuan Chuanmei Special Glauber Salt Co., Ltd. 四川川眉特種芒硝有限公司 ("Chuanmei Glauber Salt")	Established on June 19, 2007 in the PRC, wholly foreign-owned enterprise	US\$50,000,000	100%	Processing and sale of powder thenardite and specialty thenardite	Sichuan Yongli Accounting Firm, Ltd. 四川永立會計師事務所有限公司

2. BASIS OF PREPARATION

As the Company and its subsidiaries were under common control by Mr. Suolang Duoji (formerly known as Dominique Shannon and Li Yan) and Mr. Suolang Duoji's control over these companies are not transitory, the Financial Information is thereby prepared on the basis as if the Company had been the holding company of the Group from the beginning of the earliest period presented using the principles of merger accounting (note 3(a)). The Financial Information presents the consolidated results, cash flows and financial positions of the Group as if the Company had been in existence throughout the Relevant Periods and the current group structure had been in place as of the earliest period presented, or since the

effective date of incorporation of the companies where they were not existed at those dates. An exception to the merger accounting is the acquisition of equity interest in Chuanmei Mirabilite from an unrelated third party. The acquisition was accounted for under the purchase method in accordance with International Financial Reporting Standard 3 *Business Combinations*. All material intra-group transactions and balances have been eliminated on consolidation.

The Financial Information have been prepared in accordance with IFRSs, which collective term includes all applicable individual International Financial Reporting Standards and Interpretations as approved by the International Accounting Standards Board ("IASB"), and all applicable individual International Accounting Standards ("IAS") and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by the IASB. The Financial Information also complies with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange.

The Financial Information has been prepared under the historical cost convention. The measurement bases are fully described in the accounting policies below.

The Group has not issued any financial statements prior to this report since the Company was incorporated on April 12, 2007. The IASB has issued a number of new and revised IASs which are effective during the Relevant Periods and in preparing the Financial Information, the Group has adopted all these new and revised IASs consistently throughout the Relevant Periods.

APPENDIX I ACCOUNTANTS' REPORT OF LUMENA RESOURCES CORP.

The Group has not early adopted the following IFRSs that have been issued but are not yet effective:

IAS 1 (Revised)	Presentation of Financial Statements ³
IAS 23 (Revised)	Borrowing Costs ³
IAS 27 (Revised)	Consolidated and Separate Financial Statements ⁴
IAS 28 (Revised)	Investments in Associates ⁴
IAS 31 (Revised)	Interests in Joint Ventures ⁴
IAS 1, IAS 32 and IAS 39 and IFRS 7 (Amendments)	Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation ³
IAS 39 (Amendment) . .	Eligible Hedged Items ⁴
IFRS 1 (Revised)	First-time Adoption of International Financial Reporting Standards ⁴
IFRS 1 and IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ³
IFRS 2 (Amendment) . .	Share-based Payment — Vesting Conditions and Cancellations ³
IFRS 3 (Revised)	Business Combinations — Comprehensive Revision on Applying the Acquisition Method ⁴
IFRS 7 (Amendment) . .	Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments ³
IFRS 8	Operating Segments ³
IFRIC 2 (Amendment)	Members' shares in Cooperative Entities and Similar Instruments ³
IFRIC 13	Customer Loyalty Programmes ¹
IFRIC 15	Agreements for the Construction of Real Estate ³
IFRIC 16	Hedges of a Net Investment in a Foreign Operation ²
IFRIC 17	Distributions of Non-cash Assets to Owners ⁴
IFRIC 18	Transfers of Assets from Customers ⁵
Improvements to IFRSs*	Annual Improvements to IFRSs 2008 and IFRSs 2009

Notes:

1 Effective for annual periods beginning on or after July 1, 2008

2 Effective for annual periods beginning on or after October 1, 2008

3 Effective for annual periods beginning on or after January 1, 2009

4 Effective for annual periods beginning on or after July 1, 2009

5 Effective for transfers of Assets from Customers received on or after July 1, 2009

* In 2008, the IASB has issued *Improvements to IFRSs* which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarify wording. The improvements contain amendments to IFRS 5, IFRS 7, IAS 1, IAS 2, IAS 7, IAS 8, IAS 10, IAS 16, IAS 18, IAS 19, IAS 20, IAS 21, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 32, IAS 34, IAS 36, IAS 38, IAS 39, IAS 40 and IAS 41. Except for the amendment to IFRS 5 which is effective for

the annual periods on or after July 1, 2009, others amendments are effective for annual periods beginning on or after January 1, 2009 although there are separate transitional provision for each standard.

In 2009, the IASB has also issued another *Annual Improvements to IFRSs*. The improvements included IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9 and IFRIC 16. Except for the amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 which are effective for the annual periods on or after July 1, 2009, others amendments are effective for annual periods beginning on or after January 1, 2010 although there are separate transitional provision for each standard.

The directors anticipate that all the new or revised IFRSs will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

Among these new standards and interpretations, IAS 1 (Revised) *Presentation of Financial Statements* is expected to materially change the presentation of the Group's financial statements. The amendments affect the presentation of owner changes in equity and introduce a statement of comprehensive income. The Group will have the option of presenting items of income and expenses and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The amendment does not affect the financial position or results of the Group but will give rise to additional disclosures.

In addition, IFRS 8 *Operating Segments* may result in new or amended disclosures. The directors are in the process of identifying reportable operating segments as defined in IFRS 8.

The directors are in the process of assessing the impact of other new or revised IFRSs upon initial application. So far, the directors have preliminary concluded that the initial application of these IFRSs are unlikely to have a significant impact on the Group's results and financial position.

The Financial Information has been prepared on the basis that the Group will continue to operate throughout the next twelve months as a going concern. The Group's current liabilities exceeds its current assets by RMB354,948,000 as at December 31, 2008. Based on projections of the Group's profits and cash inflows from future operations and the ability of the Group to obtain continuing bank financing to finance its continuing operation, the Company's directors have prepared the Financial Information on a going concern basis.

It should be noted that accounting estimates and assumptions have been used in preparing the Financial Information. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates and assumptions. The areas where assumptions and estimates are significant to the Financial Information or areas involving a higher degree of judgment or complexity are set out in note 4 "Critical accounting estimates and judgments".

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Merger accounting

The assets and liabilities of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognized as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination. The

combined income statement includes the results of each of the combining entities or businesses from the date of incorporation/establishment or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination. All significant intra-group transactions, balances and unrealized gains on transactions have been eliminated on combination. Unrealized losses are also eliminated unless the transactions provide evidence of an impairment of the asset transferred.

(b) Subsidiary

A subsidiary is an entity (including special purpose entity) over which the Group has power to govern its financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights, so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Except for those acquisitions which qualify as a common control combination, which are accounted for using merger accounting (note 3(a)), purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus cost directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (note 3(c)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

All the material intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, the investment in subsidiary is stated at cost less provision for impairment losses, if any. The result of subsidiary is accounted for by the Company on the basis of dividends received and receivable.

Minority interest represents the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Group and are not the Group's financial liabilities.

Minority interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Company. Profit or loss attributable to the minority interests are presented separately in the consolidated income statement as an allocation of the Group's results. Where losses applicable to the minority exceeds the minority interests in the subsidiary's equity, the excess and further losses applicable to the minority are allocated against the minority interest to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. Otherwise, the losses are charged against the Group's interests. If the subsidiary subsequently reports profits, such profits are allocated to the

minority interest only after the minority's share of losses previously absorbed by the Group has been recovered.

(c) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment over the net fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of the subsidiary is separately disclosed in the consolidated balance sheet. It is tested annually for impairment and carried at cost less accumulated impairment losses, if any. Impairment losses on goodwill are not reversed. Gain or loss on the disposal of an entity includes the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash generated units, that are expected to benefit from the business combination in which the goodwill arose.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in future economic benefits expected to be obtained from the use of the item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalized as an additional cost of that asset or as a replacement.

Construction-in-progress ("CIP") represents buildings, plant and machinery under construction or pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and acquisition. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated below.

Any surplus arising on revaluation of property, plant and equipment is credited to equity, unless the carrying amount of that asset has previously suffered a revaluation decrease or impairment loss. To the extent that any decrease has been recognized in the income statement, a revaluation increase is credited to the income statement with the remaining part of the increase dealt with in the revaluation reserve. A decrease in net carrying amount of property, plant and equipment arising on revaluations or impairment testing is charged against any revaluation surplus in the revaluation reserve relating to the same asset and the remaining decrease recognized in income statement.

Depreciation on property, plant and equipment, other than CIP is provided to write off the cost or revalued amounts over their estimated useful lives, using the straight-line method, at the following rates per annum:

Building and mining structure	1 to 38 years
Computer equipment	2 years
Furniture, fixtures and equipment	5 years
Leasehold improvements	4 years
Machinery and equipment	5 to 22 years
Motor vehicles	5 to 20 years

The assets' useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognized upon disposal or when no further economic benefits are expected to arise from the continued use of the item. Any gain or loss arising on derecognizing the item (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognized.

(e) Land use rights

Payment for obtaining land use rights is considered as operating lease payment and charged to income statement over the period of the right using the straight-line method.

(f) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

(g) Foreign currencies

Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the group entity operates (i.e. the "functional currency"). The functional currency of the Company is HK\$. The Financial Information is presented in Renminbi ("RMB"), since the major subsidiaries of the Group are operating in a RMB environment and the functional currency of the major subsidiaries is RMB.

In preparing the financial statements of individual group entity, transactions in currencies other than the group entity's functional currency (i.e. foreign currency) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

For the purpose of the Financial Information, the assets and liabilities of the foreign entities which functional currency is not RMB are translated into RMB at the exchange rates ruling at the balance sheet date, and their income statements are translated into RMB at the weighted average exchange rates for the year. Foreign exchange gains and losses arising thereon are dealt with in the

translation reserve. Such translation differences are recognized in the income statement in the period in which the foreign operation is disposed of.

(h) Mining rights

Mining rights are stated at cost less accumulated amortization and are amortized on a straight line basis over their estimated useful life, which is the shorter of the contractual period and the estimated period of extraction (based on the total proven and probable reserves of the mines), from the date such mine is available for use.

(i) Intangible asset

Trademark acquired in a business combination

Trademark acquired in a business combination is identified and recognized separately from goodwill where it satisfies the definition of an intangible asset and its fair value can be measured reliably. The cost of such trademark is its fair value at the acquisition date.

Subsequently to initial recognition, trademark with indefinite useful life is carried at cost less any subsequent accumulated impairment losses. It is tested for impairment as described below in note 3(j).

(j) Impairment of non-financial assets

Intangible asset with an indefinite useful life is tested for impairment at least annually, irrespective of whether there is any indication that it is impaired. All other asset are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Where the carrying amount of an asset/a cash-generating unit exceeds its recoverable amount, the asset/cash-generating unit is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset/cash-generating unit. An impairment loss is charged to the income statement in the period in which it arises.

A previously recognized impairment loss on non-financial assets other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset/cash-generating unit, provided the increased amount of the asset/cash-generating unit does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset/cash-generating unit in prior years. Such reversal is credited to the income statement in the period in which it arises.

(k) Inventories

Inventories comprise raw materials and finished goods. At the balance sheet date, the inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average basis, comprise direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

(l) Financial assets

The Group classifies its financial assets as loans and receivables. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All financial assets are recognized when, and only when, the Group becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognized on trade date. Regular way purchase or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

When financial assets are recognized initially, they are measured at fair value, plus directly attributable transaction costs. Derecognition of financial assets occurs when the rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. On derecognition of a financial asset, the difference between the assets' carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in the income statement.

Loans and receivables including trade and other receivables, amounts due from related parties, pledged bank deposits and cash and cash equivalents are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables are included in current assets. Other loans and receivables are included in current assets unless they are expected not to be realized within 12 months after the balance sheet date and in such case, they are classified as non-current assets in the balance sheet.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost. Any changes in the value of loans and receivables through the amortization process are recognized in the income statement.

(m) Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial assets or a group of financial assets is impaired. Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;

- it becoming probable that the debtor will enter bankruptcy or other financial reorganization;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognized as follows:

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of impairment loss is recognized in the income statement of the period in which the impairment occurs. In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of loans and receivables is directly reduced by any identified amount of impairment. Impaired debts are derecognized when they are assessed as uncollectible.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal is recognized in the income statement of the period in which the reversal occurs.

(n) Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and cash in hand.

(o) Financial liabilities

Financial liabilities comprise bank borrowings and trade and other payables including amounts due to related parties which are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. Gain or losses are recognized in the income statement when the liabilities are derecognized as well as through the amortization process.

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the year of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Financial liabilities are derecognized when the obligations specified in the relevant contract is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the income statement.

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of any qualifying asset, which are necessarily take a substantial period of time to be ready for their intended use or sale, are capitalized as part of the cost of those assets. Capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Other borrowing costs are expensed.

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

(q) Government grants

Government grants are recognized as income when there is reasonable assurance that the conditions attaching to such grants are complied with the rights to receive payment have been established. When the grant relates to an expense item, it is recognized as other revenue and presented as such over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

(r) Provision and contingent liabilities

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. When the effect of discounting is material, the amount recognized for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in the income statement, or in equity if it relates to items that are recognized in the same or a different period directly in

equity. Current tax assets and liabilities for the current year and prior periods are measured at the amounts expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, unused tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the unused tax credits and the unused tax losses can be utilized.

Deferred tax assets and liabilities are not recognized if temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax liabilities in respect of taxable temporary differences associated with an investment in subsidiaries are not recognized where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred asset to be utilized. Conversely, previously unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax is calculated at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(t) Income and expense recognition

Revenue from the sale of goods is recognized when the goods are delivered to the customers.

Interest income is recognized on a time-proportion basis by reference to the principal outstanding and the effective interest rate method.

Operating expenses are recognized in the income statement upon utilization of the relevant services or when the relevant expenses are incurred, as appropriate.

(u) Cost of sales

Direct cost of production, which includes primarily raw materials costs, labor costs, electricity costs, depreciation expenses, resources tax and repair and maintenance expenses are recognized in inventories and then as cost of sales when the revenue from sale of goods is recognized.

(v) Retirement benefits costs

The Group's contributions to the Mandatory Provident Fund Scheme under the Mandatory Provident Fund Schemes Ordinance are expensed as incurred. Both the Group and its employees in Hong Kong are required to contribute 5% of each individual's relevant income with a maximum amount of HK\$1,000 per month as a mandatory contribution. Employees may also elect to contribute more than the minimum as a voluntary contribution. The assets of the scheme are held in separate trustee-administered funds.

In accordance with the rules and regulations in the PRC, the employees of the entities established in the PRC participate in defined contribution retirement benefits plans organized by regional governments. The regional governments undertake to assume the retirement benefit obligations of all existing and future retired employees payable under the plan described above. Contributions to these plans are expensed as incurred and other than these monthly contributions, the Group has no further obligation for the payment of retirement benefits of its employees. The assets of these plans are held separately from those of the Group in an independent fund managed by the PRC government.

The Group's contributions to the defined contribution retirement benefit plan are not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

(w) Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

(x) Share capital

Ordinary shares with discretionary dividends are classified as equity. Any transaction costs associated with the issuing of shares are deducted from share premium to the extent they are incremental costs directly attributable to the equity transactions.

(y) Share-based payment transactions*Equity-settled share-based payment*

The Group operates equity-settled share-based compensation plans for remuneration of its employees. All employee services received in exchange for the grant of financial instruments e.g. share options are measured at their fair values. The cost of equity-settled share-based compensation is measured by reference to the fair value of the equity instruments at the date on which the financial instruments are granted. In determining the fair value, no account is taken of any non-market vesting conditions (for example, profitability and sales growth targets). In situations where equity instruments are issued and some or all of the goods or services received by the Group as consideration cannot be specifically identified, the unidentifiable goods or services

are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date.

When share options are granted to non-employee in exchange for services, they are measured at the fair value of the services received. The fair value is recognized as expense over the vesting period, if applicable, unless the services qualify for recognition as assets. Corresponding entries have been made to equity.

Equity-settled share-based compensation in relation to the pre-IPO share option scheme and share option scheme is recognized as an expense in income statement with a corresponding increase in equity. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non market vesting conditions are included in assumptions about the number of equity instruments that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied. In respect of share options, the fair value of the share options granted by the Group to its employees is recognized in income statement with a corresponding increase in share option reserve. Upon exercise of the share options, the amount in the share option reserve is transferred to the share premium account. In case the share options are lapsed, the amount in the share option reserve is released directly to retained profits.

(z) Related parties

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

- (i) the party directly, or indirectly through one or more intermediaries, (1) controls, is controlled by, or is under common control with, the Group; (2) has an interest in the Group that gives it significant influence over the Group; or (3) has joint control over the Group;
- (ii) the party is an associate;
- (iii) the party is a jointly-controlled entity;
- (iv) the party is a member of the key management personnel of the Group or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In the process of applying the Group's accounting policies, which are described in note 3, management has made various estimates and judgments which are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Estimates and judgments are continually evaluated. The key source of estimation uncertainty and accounting judgments that result in significant risk of causing a material adjustment to the carrying amount of assets and liabilities in the next financial year or significantly affect the amounts recognized in the Financial Information are discussed below:

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3(c). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. Details of the estimates used in assessing impairment for goodwill are set out in note 18.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each balance sheet date. Indefinite life intangible assets are tested for impairment annually and at other times when such indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Details about the estimates used in assessing impairment for non-financial assets are set out in note 21.

Impairment of receivables

The Group's management determines the provision for impairment of receivables. This estimate is based on the evaluation of collectability and ageing analysis of receivables and on management's judgment. A considerable amount of judgment is required in assessing the expected timing of collection and ultimate realization of these receivables, including credit worthiness and collection history of each customer and other debtor. Management will reassess the provision at each balance sheet date. If the financial conditions of the customers or debtors of the Group deteriorate thus resulting in impairment as to their ability to make payment, additional allowances may be required.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives for the property, plant and equipment of the Group. This estimate is based on the historical experience of the actual useful lives of the relevant assets of similar nature and functions. The estimated useful lives could be different as a result of technical innovations which could affect the related depreciation charges included in the income statement.

Going concern basis

Management makes an assessment of the Group's ability to continue as a going concern when preparing the Financial Information. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the balance sheet date. The degree of consideration depends on the facts in each case.

The Group is dependent upon its ability to generate profits and cash inflows from operations and the ability of the Group to obtain continuing bank financing to finance its continuing operation to meet the Group's future working capital and financing requirements. Management believes the Group is able to continue as a going concern after taking into account projections of the Group's future profits and cash inflows from operations and the ability of the Group to obtain continuing bank financing to finance its continuing operations. Accordingly, management has prepared the Financial Information on a going concern basis. An adverse change in any of the above conditions may require the Financial Information to be prepared on an alternative basis and such basis, together with the fact that the Financial Information is not prepared on a going concern basis, would need to be disclosed. If the Group were unable to continue as a going concern, adjustments would have to be made to reduce the value of assets to their recoverable amount, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively.

5. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT

5.1 Financial risk management

The Group is exposed to a variety of financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management focuses on unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by key management under the policies approved by the board of directors. The Group does not have written risk management policies. However, the board of directors meet regularly and co-operate closely with key management to identify and evaluate risks and to formulate strategies to manage financial risks.

(a) *Market risk*

(i) *Interest rate risk*

Except for bank deposits which are interest bearing (notes 24 and 25), the Group has no other significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk arises from bank borrowings. Bank borrowings obtained at variable rates and fixed rates expose the Group to cash flow interest-rate risk and fair value interest-rate risk respectively.

As at December 31, 2007 and 2008, approximately 98% and 87% of the bank borrowings bore interest at floating rates respectively (December 31, 2006: nil). The interest rate and terms of repayment of bank borrowings are disclosed in note 27 below. The Group has not hedged its cash flow and fair value interest rate risk. The management monitors the Group's exposure on an ongoing basis and will consider hedging interest rate risk should the need arises.

Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank deposits are not expected to change significantly. Management also considers the fair value interest rate risk is insignificant due to fixed-rate bank borrowings are due within one year in general.

Based on the market conditions as at December 31, 2008, the Group determined that it is reasonably possible for interest rate on bank borrowings to increase/decrease by 150 basis points in the coming twelve months. If interest rate on bank borrowings had been 150 basis points higher/lower with all other variables held constant, the profit after tax and retained earnings would have changed mainly as a result of higher/lower interest expenses on floating rate borrowings. Details of the changes are as follows:

	Year ended December 31,		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Profit for the year and retained earnings increase/ (decrease)			
— 150 basis points higher	(1,259)	(11,152)	(11,646)
— 150 basis points lower	<u>1,259</u>	<u>11,152</u>	<u>11,646</u>

The changes in interest rates do not affect the Company's and the Group's other components of equity.

(ii) *Foreign currency risk*

The Group mainly operates in the PRC. The functional currency of the Company and its subsidiaries are mainly HK\$ and RMB respectively with certain of their business transactions being settled in US\$. In addition, the Company obtained a long-term USD bank loan on June 23, 2007 (note 27(iv)). The Group is thus exposed to currency risk arising from fluctuations on foreign currencies, primarily US\$, against the functional currency of the relevant Group entities. The Group currently does not have hedging policy in respect of the foreign currency risk. However, management monitors the related foreign currency risk exposure closely and will consider hedging significant foreign currency risk exposure should the need arises.

The following table details the Group's sensitivity to a reasonably possible change of 10% in exchange rate of the foreign currency against RMB while all other variables are held constant. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at each balance sheet date for a 10% change in foreign currency rates.

	Year ended December 31,		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Profit for the year and retained earnings increase/ (decrease)			
— if RMB weakens against US\$	393	(59,797)	(56,071)
— if RMB strengthens against US\$	<u>(393)</u>	<u>59,797</u>	<u>56,071</u>

The changes in foreign exchange rates do not affect the Company's and the Group's other components of equity.

(b) Credit risk

The Group's and the Company's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations in relation to each class of recognized financial assets is the carrying amount of those assets as disclosed in note 15 below. None of the financial assets of the Group and the Company are secured by collateral or other credit enhancements.

The credit risk on pledged bank deposits and cash and cash equivalents is limited because the counterparties are banks with high credit rating.

The Group trades only with recognized, creditworthy third parties. The Group performs ongoing credit evaluation on the financial condition of its debtors and tightly monitors the ageing of receivable balances. With respect to credit risk arising from the other financial assets of the Group which comprise other receivables and amounts due from related parties, the Group's exposure to credit risk arising from default of counterparties is limited as the counterparties have good credit standing and the Group does not expect any significant loss for uncollected advances from these entities.

In order to minimize the credit risk, the management continuously monitor the level of exposure to ensure that follow-up action and / or corrective actions are taken promptly to lower exposure or even to recover over due balances. In addition, management reviews the receivable amount of the receivables individually or collectively at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents as well as the availability of fund through adequate amounts of committed credit facilities and the ability to close out market positions. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that the Group maintains sufficient reserves of cash and adequate committed lines of fund from major financial institutions to meet its liquidity requirements in the short and longer term.

In preparing the Financial Information, the directors of the Company have given careful consideration for the Group in light of the net current liabilities of approximately RMB354,948,000 as at December 31, 2008. They have carried out a detailed review of the cash flow forecast for 24-month period ending December 31, 2010. Based on such forecast, the directors have determined that adequate liquidity exists to finance the working capital and capital expenditure requirements of the Group during the period. The directors are of the opinion that the assumptions which are included in the cash flow forecast are reasonable. Accordingly, the Financial Information has been prepared on a going concern basis. However, as with all assumptions in regard to future events, these are subject to inherent limitations and uncertainties and some or all of these assumptions may not be realized.

In the opinion of the directors, certain bank borrowings that mature within one year can be renewed on an annual basis at the discretion of the Group within limit approved by the banks and the Group expects to have adequate source of funding (including other and bank borrowings as disclosed in notes 36 (b), (d) and (e)) to finance the Group and manage the liquidity position.

The table below analyses the Group's financial liabilities based on the remaining contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Carrying amount	Total contractual undiscounted cash flow	Less than one year	One to less than two years	Two to less than five years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2006					
Borrowings	83,900	87,143	87,143	—	—
Trade and other payables	67,558	67,558	67,558	—	—
As at December 31, 2007					
Borrowings	643,649	955,291	116,787	276,618	561,886
Trade and other payables	308,617	308,617	308,617	—	—
As at December 31, 2008					
Borrowings	682,565	803,739	317,568	206,979	279,192
Trade and other payables	330,955	330,955	330,955	—	—

Note:

The interest on borrowings is calculated based on borrowings held as at December 31, 2006, 2007 and 2008 without taking into account of future issues. The interest rate is estimated using the effective interest rate as at the respective balance sheet dates.

5.2 Fair value estimation

The carrying value of trade and other receivables, prepayments and deposits, trade and other payables, pledged bank deposits and cash and cash equivalents are assumed to approximate their fair values due to the short-term maturity of these balances.

The fair value of interest-bearing bank borrowings (note 27) is estimated by discounting the future contractual cash flows at the current market interest rates that is available to the Group for similar financial instruments.

5.3 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and to support the Group's stability and growth. The Group actively and regularly reviews and manages its capital structure, taking into consideration the future capital requirements of the Group, to ensure optimal shareholder returns.

The Group monitors its capital on the basis of the debt-to-adjusted capital ratio. For this purpose, the Group defines net debts as total debt (including bank borrowings and trade and other payables, as shown in the consolidated balance sheet) less pledged bank deposits and cash and cash equivalents. Adjusted capital comprises all components of equity, as shown in the consolidated balance sheet. Based on the debt-to-adjusted capital ratios, the Group may adjust dividend policy, issue new shares or return capital to shareholders subject to the financial and operating covenants relating to a bank borrowing of US\$100 million made in 2007 (note 27(iv)) which restrict the Group to incur any additional offshore borrowing and the Company to declare dividend or return capital to the existing shareholders.

The debt-to-adjusted capital ratios at December 31, 2006, 2007 and 2008 are as follows:

	At December 31,		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Bank borrowings	83,900	643,649	682,565
Trade and other payables	84,446	330,486	360,795
Less: Pledged bank deposits	—	(46,988)	(32,394)
Cash and cash equivalents	(1,663)	(71,057)	(827)
Net debt	166,683	856,090	1,010,139
Equity	113,993	328,870	825,542
Debt-to-adjusted capital ratio	1.46	2.60	1.22

6. REVENUE

Revenue, which is also the Group's turnover, represents the net amounts received and receivable for goods sold, less value-added tax and returns, for the Relevant Periods. The amount of each significant category of the revenue recognized during the Relevant Periods is as follows:

	Year ended December 31,		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Revenue			
— powder thenardite	151,633	149,405	154,486
— medical thenardite	53,122	145,567	192,163
— specialty thenardite	—	76,558	793,705
	204,755	371,530	1,140,354

7. SEGMENT INFORMATION

Based on risks and returns, the directors of the Company consider that the primary reporting format of the Group is by business segment. The directors consider that there is only one business segment, being processing and sale of powder thenardite, medical thenardite and specialty thenardite. Therefore no further information about business segment is presented.

The Group primarily operates in the PRC, sales are made to overseas customers as well as customers in the PRC. Geographical segment is the secondary reporting format of the Group. In determining the Group's geographical segments, revenue is attributed to the segments based on the location of the customer. The Group's assets and capital expenditure are attributed to the segments based on the location of the assets.

The Group's turnover analyzed by geographical markets during the Relevant Periods is presented below:

	Year ended December 31,		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
The PRC, other than Hong Kong	180,219	366,635	1,129,863
New Zealand	18,120	4,895	5,009
Others	6,416	—	5,482
	204,755	371,530	1,140,354

APPENDIX I**ACCOUNTANTS' REPORT OF LUMENA RESOURCES CORP.**

The carrying amounts of segment assets and capital expenditure, which represents additions to property, plant and equipment and mining rights, analyzed by geographical markets is presented below:

	Segment assets		
	At December 31,		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
The PRC, other than Hong Kong	276,059	1,181,319	1,858,630
Hong Kong	2,193	14,198	10,266
Unallocated	5,596	118,514	35,001
	<u>283,848</u>	<u>1,314,031</u>	<u>1,903,897</u>

	Capital expenditure		
	Year ended December 31,		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
The PRC, other than Hong Kong	5,411	797,763	399,773
Hong Kong	1,399	3,356	154
	<u>6,810</u>	<u>801,119</u>	<u>399,927</u>

8. COST OF SALES

Cost of sales represents the direct costs attributable to the production of goods sold during the Relevant Periods. An analysis of the Group's cost of sales is as follows:

	Year ended December 31,		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Cost of sales			
— powder thenardite	97,923	101,618	110,997
— medical thenardite	14,507	35,820	56,209
— specialty thenardite	—	13,857	176,588
	<u>112,430</u>	<u>151,295</u>	<u>343,794</u>

9. OTHER REVENUE AND GAINS

	Year ended December 31,		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Interest income on bank balances stated at amortized costs	325	3,981	1,300
Gain on disposal of scrap materials / obsolete fixed assets	1,820	178	1,530
Government subsidy	800	850	—
Others	1,673	315	298
	<u>4,618</u>	<u>5,324</u>	<u>3,128</u>

Government grants were received from the PRC government for subsidizing the Group relating to environmental protection. There are no unfulfilled conditions or contingencies relating to these grants.

APPENDIX I ACCOUNTANTS' REPORT OF LUMENA RESOURCES CORP.

10. OPERATING PROFIT

The Group's operating profit is arrived at after charging/(crediting) the following items:

	Year ended December 31,		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Auditors remuneration	63	1,864	1,274
Amortization of land use rights (note (i))	611	611	1,274
Amortization of mining rights (note (i))	119	119	4,236
Cost of inventories recognized as an expense	74,802	124,437	256,471
Depreciation of property, plant and equipment	10,308	13,173	41,228
Repair expenses arising from earthquake (note (ii))	—	—	8,280
Loss on disposal of property, plant and equipment	—	113	—
Net foreign exchange loss	2,792	1,042	47
Operating lease charges on rented premises	58	155	2,284
Staff costs (including directors' remuneration)			
— Wages, salaries and bonus	18,958	25,903	42,012
— Equity-settled share-based payments (note 32)	—	—	13,800
— Contribution to defined contribution pension plans	582	1,340	2,093
	19,540	27,243	57,905
Impairment on receivables	164	9,949	—

Notes:

- (i) Amounts have been included in other operating expenses on the face of consolidated income statements.
- (ii) 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, certain production facilities and equipments of the Group were damaged. The Group entered into certain agreements with contractors for repairing these assets in May 2008, and the repair expenses of RMB8,280,000 arising from earthquake was recognized in the consolidated income statement accordingly.

11. FINANCE COSTS

	Year ended December 31,		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Interest expenses on bank borrowings wholly repayable within five years	7,079	68,314	119,593
Less : Amount included in the cost of qualifying assets*	—	(33,793)	(20,793)
	7,079	34,521	98,800

- * The qualifying assets represented the mining right of Muma Mining Area, certain machinery and equipment and certain buildings and mining structures of the Guangji Mining Area. Borrowing costs included in the cost of qualifying assets have been capitalized at rate of 19.54% for the years ended December 31, 2007 and 2008.

APPENDIX I ACCOUNTANTS' REPORT OF LUMENA RESOURCES CORP.

12. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(i) Directors' remuneration

The aggregate amount of remuneration paid and payable to the directors of the Company by the Group during the Relevant Periods are as follows:

Year ended December 31, 2006						
	Fees	Salaries and allowances	Discretionary bonus	Contribution to pension plans	Equity-settled share-based payment expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Executive directors</i>						
Zhang Daming . . .	—	200	—	—	—	200
Deng Xianxue	—	200	—	10	—	210
Li Xudong	—	120	—	3	—	123
<i>Non-executive directors</i>						
Suolang Duoqi	—	—	—	—	—	—
Zhang Songyi	—	—	—	—	—	—
Wang Chun Lin . .	—	—	—	—	—	—
	—	520	—	13	—	533
	==	==	==	==	==	==
Year ended December 31, 2007						
	Fees	Salaries and allowances	Discretionary bonus	Contribution to pension plans	Equity-settled share-based payment expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Executive directors</i>						
Zhang Daming . . .	—	406	558	4	—	968
Deng Xianxue	—	460	543	16	—	1,019
Li Xudong	—	157	—	7	—	164
<i>Non-executive directors</i>						
Suolang Duoqi	—	630	—	4	—	634
Zhang Songyi	—	—	—	—	—	—
Wang Chun Lin . .	—	1,260	—	11	—	1,271
	—	2,913	1,101	42	—	4,056
	==	==	==	==	==	==

Year ended December 31, 2008						
	Fees	Salaries and allowances	Discretionary bonus	Contribution to pension plans	Equity-settled share-based payment expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Executive directors</i>						
Zhang Daming . . .	—	925	—	11	792	1,728
Deng Xianxue	—	930	—	25	750	1,705
Li Xudong	—	454	—	15	600	1,069
<i>Non-executive directors</i>						
Suolang Duoqi	—	1,156	—	11	—	1,167
Zhang Songyi	—	1,156	—	11	—	1,167
Wang Chun Lin . .	—	1,249	—	11	—	1,260
	—	5,870	—	84	2,142	8,096
	==	==	==	==	==	==

(ii) *Five highest paid individuals*

The five highest paid individuals consisted of three, four and five directors for the years ended December 31, 2006, 2007 and 2008, respectively, details of whose remuneration are set out above. Details of the remuneration of the remaining of two, one and nil highest paid individuals for the years ended December 31, 2006, 2007 and 2008, respectively, are as follows:

	Year ended December 31,		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Salaries and allowances	300	203	—
Discretionary bonus	—	—	—
Contribution to pension plans	8	5	—
	308	208	—
	==	==	==

The remuneration paid to each of the above non-director individuals during the Relevant Periods fell within the band of nil to HK\$1,000,000.

During the Relevant Periods, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office and none of the directors has waived or agreed to waive any emoluments.

APPENDIX I ACCOUNTANTS' REPORT OF LUMENA RESOURCES CORP.

13. INCOME TAX EXPENSE

The major components of income tax expense for the Relevant Periods are as follows:

	Year ended December 31,		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Current tax			
— Provision for PRC income tax	<u>1,616</u>	<u>25,901</u>	<u>171,503</u>

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any taxation under the jurisdiction of Cayman Islands and BVI during the Relevant Periods.
- (ii) No provision for Hong Kong profits tax has been made as the Group had no assessable profit arising from or derived in Hong Kong during the Relevant Periods.
- (iii) PRC enterprise income tax ("EIT") is calculated at a rate of 33% in accordance with the relevant laws and regulations in the PRC for the years ended December 31, 2006 and 2007.
- (iv) Chuanmei Mirabilite was approved as a foreign invested enterprise in 2005. Pursuant to an approval document on certain tax preferential policies titled "Guo Shui You Pi (2005) No. 019" issued by the Bureau of State Tax of Dongpo District, Meishan City, Sichuan Province (四川省眉山市東坡區國家稅務局國稅優批 (2005) 019 號), Chuanmei Mirabilite is entitled for exemption of EIT for two years starting from the first year of profitable operations after offsetting prior year tax losses, followed by a three-year 50% tax deduction. The year ended December 31, 2005 was Chuanmei Mirabilite's first profit-making year and was the first year of its tax holiday.

Pursuant to a notice titled "Chuan Guo Shui Han (2006) No. 40" issued by the Bureau of State Tax of the Sichuan Province (四川省國家稅務局川國稅函 (2006) 40 號) on February 7, 2006, Chuanmei Mirabilite is subject to local income tax at a rate of 3% for the year ended December 31, 2006.

Based on the above, for the year ended December 31, 2007 the EIT tax rate applicable to Chuanmei Mirabilite was 18%.
- (v) Chuanmei Glauber Salt began generating income in November 2007. Pursuant to a notice issued by the Bureau of State Tax of Dongpo District of Meishan City of the Sichuan Province on September 27, 2008, Chuanmei Glauber Salt is entitled for exemption of EIT for the year ended December 31, 2007. Based on the management's assessment and as advised by the PRC legal counsel of the Group, Chuanmei Glauber Salt is subject to local income tax at a rate of 3% for the year ended December 31, 2007.
- (vi) On March 16, 2007, the National People's Congress approved the Enterprise Income Tax Law of the PRC ("new EIT Law"), which became effective on January 1, 2008. According to the new EIT Law, the income tax rate applicable to the Group's PRC subsidiaries is unified at 25%. Pursuant to the grandfathering arrangement under the new tax law, the Group's subsidiaries will continue to enjoy the existing preferential tax treatment until the end of above mentioned tax holidays. Thereafter, the normal tax rate applicable to the Group's PRC subsidiaries is unified at 25%. For

the year ended December 31, 2008, Chuanmei Mirabilite and Chuanmei Glauber Salt are subject to EIT tax rate of 12.5% and 25% respectively.

- (vii) For each of the years ended December 31, 2006 and 2007, the Group did not have any material unrecognized deferred tax assets / liabilities.

Deferred tax liabilities of approximately RMB25,021,000 have not been established for the withholding and other taxation that would be payable on the unremitted earnings of Chuanmei Mirabilite and Chuanmei Glauber Salt, as such amount are permanently reinvested; according to the PRC audited accounts of these subsidiaries, such unremitted earnings totalled approximately RMB500,425,000 as at December 31, 2008.

A reconciliation of income tax expense and accounting profit at applicable tax rate is as follows:

	Year ended December 31,		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Profit before income tax	50,870	114,903	613,583
Tax calculated at domestic tax rates applicable to profits in the respective jurisdictions	17,570	49,343	164,848
Effect of tax holidays of the PRC subsidiaries	(16,144)	(38,718)	(17,799)
Tax effect of expenses not deductible	190	15,970	24,658
Tax effect of income not taxable	—	(694)	(204)
Income tax expense	1,616	25,901	171,503

14. EARNINGS PER SHARE

The calculation of basic earnings per share is calculated based on the consolidated profit attributable to the equity holders of the Company of approximately RMB44,029,000, RMB78,950,000, RMB429,739,000 for the years ended December 31, 2006, 2007 and 2008 respectively and the 1,520,000,000 shares which have been determined after taking into consideration of the share subdivision on April 25, 2008 and 520,000,000 shares were issued pursuant to the capitalization issue of the Company as described in note 30(a)(iv), as if the shares were in issue throughout the Relevant Periods.

No diluted earnings per share is presented as its inclusion, for the purpose of this report is not considered meaningful.

15. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The carrying amount of the Group's financial assets and liabilities as recognized at the respective balance sheet dates may also be categorized as follows:

	At December 31,		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Group			
Financial assets			
Cash and cash equivalents	1,663	71,057	827
Pledged bank deposits	—	46,988	32,394
Loans and receivables			
— Trade and other receivables	132,629	235,111	192,514
	<u>134,292</u>	<u>353,156</u>	<u>225,735</u>
Financial liabilities			
Current liabilities			
Financial liabilities measured at amortized cost			
— Trade and other payables	67,558	308,617	330,955
— Bank borrowings	83,900	12,600	258,947
	<u>151,458</u>	<u>321,217</u>	<u>589,902</u>
Non-current liabilities			
Financial liabilities measured at amortized cost			
— Bank borrowings	—	631,049	423,618
	<u>151,458</u>	<u>952,266</u>	<u>1,013,520</u>

The carrying amount of the Company's financial assets and liabilities as recognized at the respective balance sheet dates may also be categorized as follows:

	At December 31,		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Company			
Financial assets			
Pledged bank deposits	—	33,081	32,355
Loans and receivables			
— Amounts due from shareholders	—	73	—
— Amounts due from subsidiaries	—	43,288	—
	<u>—</u>	<u>76,442</u>	<u>32,355</u>
Financial liabilities			
Current liabilities			
Financial liabilities measured at amortized cost			
— Other payables	—	29,403	94,823
— Amount due to a director	—	—	30,057
— Amounts due to shareholders	—	—	36
— Bank borrowings	<u>—</u>	<u>—</u>	<u>169,447</u>
	—	29,403	294,363
Non-current liabilities			
Financial liabilities measured at amortized cost			
— Bank borrowings	<u>—</u>	<u>631,049</u>	<u>423,618</u>
	<u>—</u>	<u>660,452</u>	<u>717,981</u>

16. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress	Buildings and mining structures	Machinery and equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2006					
At cost	—	17,333	64,552	1,388	83,273
Accumulated depreciation	—	(1,427)	(8,980)	(104)	(10,511)
Net book amount	—	15,906	55,572	1,284	72,762
Year ended December 31, 2006					
Opening net book amount	—	15,906	55,572	1,284	72,762
Additions	3,771	129	1,791	1,119	6,810
Depreciation	—	(1,547)	(8,615)	(146)	(10,308)
Transfers	(3,771)	—	3,771	—	—
Exchange alignment	—	(27)	(4)	(23)	(54)
Closing net book amount	—	14,461	52,515	2,234	69,210
At December 31, 2006 and January 1, 2007					
At cost	—	17,427	70,110	2,484	90,021
Accumulated depreciation	—	(2,966)	(17,595)	(250)	(20,811)
Net book amount	—	14,461	52,515	2,234	69,210
Year ended December 31, 2007					
Opening net book amount	—	14,461	52,515	2,234	69,210
Additions	41,576	111,361	401,631	1,580	556,148
Disposal	—	(105)	(8)	—	(113)
Depreciation	—	(2,029)	(10,490)	(654)	(13,173)
Transfer	(3,376)	895	2,231	250	—
Exchange alignment	—	(50)	(37)	(100)	(187)
Closing net book amount	38,200	124,533	445,842	3,310	611,885
At December 31, 2007 and January 1, 2008					
At cost	38,200	129,482	473,918	4,191	645,791
Accumulated depreciation	—	(4,949)	(28,076)	(881)	(33,906)
Net book amount	38,200	124,533	445,842	3,310	611,885
Year ended December 31, 2008					
Opening net book amount	38,200	124,533	445,842	3,310	611,885
Additions	226,825	8,550	891	25	236,291
Disposal	—	(516)	—	—	(516)
Depreciation	—	(6,558)	(33,905)	(765)	(41,228)
Transfer	(59,054)	44,717	14,210	127	—
Exchange alignment	—	(50)	(55)	(113)	(218)
Closing net book amount	205,971	170,676	426,983	2,584	806,214
At December 31, 2008					
At cost	205,971	182,108	488,951	4,190	881,220
Accumulated depreciation	—	(11,432)	(61,968)	(1,606)	(75,006)
Net book amount	205,971	170,676	426,983	2,584	806,214

Notes:

- (a) The Group's buildings are on land held under medium-term lease in the PRC.
- (b) Certain buildings and mining structures, machinery and equipment are pledged to secure bank borrowings granted to the Group as disclosed in note 29 below.

- (c) On January 1, 2008, the Group entered into an agreement to acquire equipment and machineries in respect of the Muma Mining Area at an aggregate consideration of approximately RMB400,000,000 of which approximately RMB309,741,000 had been paid by the Group and classified as deposits separately from property, plant and equipment above as at December 31, 2008.

17. LAND USE RIGHTS

	<u>RMB'000</u>
2006	
Net carrying amount at January 1, 2006	25,622
Amortization charge	<u>(611)</u>
Net carrying amount at December 31, 2006	<u>25,011</u>
At December 31, 2006	
Gross carrying amount	26,233
Accumulated amortization	<u>(1,222)</u>
Net carrying amount	<u>25,011</u>
2007	
Net carrying amount at January 1, 2007	25,011
Additions (note (ii))	32,000
Amortization charge	<u>(611)</u>
Net carrying amount at December 31, 2007	<u>56,400</u>
At December 31, 2007	
Gross carrying amount	58,233
Accumulated amortization	<u>(1,833)</u>
Net carrying amount	<u>56,400</u>
2008	
Net carrying amount at January 1, 2008	56,400
Additions	2,583
Amortization charge	<u>(1,274)</u>
Net carrying amount at December 31, 2008	<u>57,709</u>
At December 31, 2008	
Gross carrying amount	60,816
Accumulated amortization	<u>(3,107)</u>
Net carrying amount	<u>57,709</u>

Notes:

- (i) The Group's interests in land use rights represent prepaid operating lease payments in respect of land located in the PRC. The land use rights were acquired with the lease period from 43 years to 50 years and are amortized over their lease periods. As at December 31, 2008, the land use rights have remaining lease periods from 33 to 50 years.
- (ii) During the year ended December 31, 2007, the Group entered into an agreement to acquire the land use right of Guangji Mining Area at a consideration of approximately RMB32,000,000 in which approximately RMB3,000,000 was paid as at year end date. The remaining balance of RMB29,000,000 was paid during the year ended December 31, 2008.
- (iii) Details of the Group's land use rights pledged to secure the Group's bank borrowings are set out in note 29 below.

18. GOODWILL

	RMB'000
Carrying amount at January 1, 2006, December 31, 2006, 2007 and 2008	<u>8,386</u>

Goodwill as at December 31, 2006, 2007 and 2008 arose from the acquisition of Chuanmei Mirabilite in 2004. For the annual impairment test for the Relevant Periods, the carrying amount of goodwill belongs to the cash generating unit which engages in processing and sale of powder and medical thenardite. Its recoverable amount was determined based on a value in use calculation, covering a detailed budget plan up to the year 2012. The discount rate applied to the cash flow projections was 22.89%. Cash flow beyond the four-year period is extrapolated using the estimated growth rate of 2%. The growth rate does not exceed the projected long-term average growth rate for thenardite industry in the PRC. Based on the results of the impairment testing, management determines that there is no impairment of the cash-generating unit of processing and sale of powder and medical thenardite attributed to the goodwill.

Key assumptions were used for value in use calculation for the Relevant Periods. The following described each key assumption on which management has based for cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins — Management determined gross margin based on past experience in this market and its expectations for market development.

Discount rates — The discount rates used are before tax and reflect specific risks relating to the respective industries.

Apart from the considerations described above in determining the value in use of the cash generating units above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

19. MINING RIGHTS

	RMB'000
At January 1, 2006	
Cost	456
Accumulated amortization	(119)
Net book value	<u>337</u>
Year ended December 31, 2006	
Opening net book amount	337
Amortization charge	(119)
Closing net book amount	<u>218</u>
At January 1, 2007	
Cost	456
Accumulated amortization	(238)
Net book value	<u>218</u>
Year ended December 31, 2007	
Opening net book amount	218
Additions	244,971
Amortization charge	(119)
Closing net book amount	<u>245,070</u>
At January 1, 2008	
Cost	245,427
Accumulated amortization	(357)
Net book value	<u>245,070</u>
Year ended December 31, 2008	
Opening net book amount	245,070
Additions	163,636
Amortization charge	(4,236)
Closing net book amount	<u>404,470</u>
At December 31, 2008	
Cost	409,063
Accumulated amortization	(4,593)
Net book value	<u>404,470</u>

Notes:

- (a) The Group started mining at the Dahongshan Mining Area in 2005 and obtained the mining right certificate in April 2005 which was expired in October 2008. The mining right is amortized over the contractual period of 3.5 years.

During the year ended December 31, 2008, the Group paid a sum of approximately RMB51,046,000 to renew the mining right of Dahongshan Mining Area for the period from September 2008 to September 2038.

- (b) On September 10, 2007, the Group entered into an agreement to acquire the mining right of the Muma Mining Area at a total consideration of approximately RMB240,000,000 of which approximately RMB154,225,000 had been paid by the Group as at December 31, 2007. The remaining balance of RMB85,775,000 was paid during the year ended December 31, 2008.

During the year ended December 31, 2007, 2008 borrowing costs of approximately RMB4,971,000 and RMB20,793,000 respectively were capitalized and included in the cost incurred for acquisition of mining right of Muma Mining Area.

- (c) During the year ended December 31, 2008, the Group also made a payment of approximately RMB91,797,000 for the acquisition of the mining right of the Guangji Mining Area.
- (d) The renewed/new mining right certificates of Dahongshan Mining Area, Muma Mining Area and Guangji Mining Area in the PRC were issued to the Group on September 12, 2008. The mining rights are amortized over their estimated useful life of 30 years.

20. INTERESTS IN SUBSIDIARIES

	At December 31,		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Investment in subsidiaries	—	113,014	113,014
Amounts due from subsidiaries	—	627,665	615,960
	—	740,679	728,974

Amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Directors, the settlement of these amounts due is neither planned nor likely to occur in the foreseeable future and in substance, the amounts due from subsidiaries are extensions of the Company's investments in these subsidiaries.

21. OTHER INTANGIBLE ASSET

	Trademark
	RMB'000
At December 31, 2006, 2007 and 2008	
Cost	17,588
Impairment loss recognized	—
Net book value	17,588
Years ended December 31, 2006, 2007 and 2008	
Opening net book amount	17,588
Closing net book amount	17,588

Notes:

Trademark as at December 31, 2006, 2007 and 2008 arose from the acquisition of Chuanmei Mirabilite in 2004. The Group assessed the useful life and economic life of the trademark and concluded that the trademark has no foreseeable limit to the period which it is expected to generate net cash inflow for the Group and regarded the trading right as having indefinite useful life.

The carrying amount of trademark at each balance sheet date is tested for impairment by the management by estimating its recoverable amount based on the value in use calculations. The calculations use cash flow projection based on the financial budgets approved by the management covering a period up to the year 2012. The discount rate applied to the cash flow projections was 19.84%. Cash flow beyond the four-year period are extrapolated using the estimated growth rate of 2%. The growth rate does not exceed the projected long-term average growth rate for thenardite industry in the PRC. Based on the results of the

impairment testing, management determines that there is no impairment of the cash-generating unit of processing and sale of thenardite attributed to the trademark.

Key assumptions were used for value in use calculation for the Relevant Periods. The following described each key assumption on which management has based its cash flow projections to undertake impairment testing of trademark:

Budgeted gross margins — Management determined gross margin based on past experience in this market and its expectations for market development.

Discount rates — The discount rates used are before tax and reflect specific risks relating to the respective industries.

Apart from the considerations described above in determining the value in use of the cash generating units above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

22. INVENTORIES

	At December 31,		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Raw materials	3,751	6,954	5,394
Finished goods	1,655	975	2,876
	<u>5,406</u>	<u>7,929</u>	<u>8,270</u>

23. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At December 31,		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Group			
Trade receivables	65,740	117,108	137,478
Less: allowance for doubtful debts	(164)	(9,146)	(9,146)
Trade receivables, net (note (i))	65,576	107,962	128,332
Other receivables	21,271	8,109	63,565
Bills receivables	80	110	80
Deposits and prepayments	23,737	13,617	65,784
Amounts due from related parties (note 33(iii))	45,702	118,857	537
Amounts due from shareholders (note 33(iv))	—	73	—
	<u>156,366</u>	<u>248,728</u>	<u>258,298</u>

	At December 31,		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Company			
Prepayments	—	—	6,885
Amounts due from shareholders (note 33(iv))	—	73	—
	<u>—</u>	<u>73</u>	<u>6,885</u>

Notes:

- (i) The ageing analysis of trade receivables as at December 31, 2006, 2007 and 2008 net of impairment provision, is as follows:

	At December 31,		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Outstanding balances with ages:			
— 90 days or below	61,477	103,477	115,465
— 91 – 180 days	45	429	8,675
— 181 – 365 days	4,048	3,583	3,789
— Over 365 days	6	473	403
	<u>65,576</u>	<u>107,962</u>	<u>128,332</u>

At each balance sheet date, the Group's trade receivables are individually determined for impairment testing. The individually impaired receivables, if any, are recognized based on the credit history of the customers, such as financial difficulties and default in payments, and current market conditions.

During the Relevant Periods, credit terms normally granted to the trade customers ranged from 40 days to 90 days depending on the customers' relationship with the Group, its creditworthiness and settlement record.

In general, trade receivables that are aged below one year are not considered impaired based on management's historical experience and the Group would consider impairment provision for trade receivables which are aged one year or above.

The movement in the allowance for doubtful debts during the Relevant Periods is as follows:

	2006	2007	2008
	RMB'000	RMB'000	RMB'000
At January 1	—	164	9,146
Impairment losses recognized	164	8,982	—
At December 31	<u>164</u>	<u>9,146</u>	<u>9,146</u>

As at December 31, 2006 and 2007 and 2008, the Group's trade receivables of RMB164,000, RMB9,146,000 and RMB9,146,000 respectively were impaired and the amounts of provision made in respect of the balances were RMB164,000, RMB9,146,000 and RMB9,146,000 respectively. The individually impaired receivables mainly relate to management assessment that the entire amount of the receivable balances is unlikely to be recovered. The Group does not hold any collateral over these balances. The ageing analysis of trade receivables which were impaired and were provided for as at December 31, 2006, 2007 and 2008 is as follows:

	At December 31,		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Over 365 days	<u>164</u>	<u>9,146</u>	<u>9,146</u>

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The ageing analysis of trade receivables that are past due but are not considered impaired as at December 31, 2006, 2007 and 2008 is as follows:

	At December 31,		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Outstanding balances with ages:			
— 181 – 365 days	4,048	3,583	3,789
— Over 365 days	6	473	403
	<u>4,054</u>	<u>4,056</u>	<u>4,192</u>

Trade receivables that are not yet past due relate to a wide range of customers for whom there was no recent history of default. Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

- (ii) Trade and other receivables are interest-free and unsecured. The directors considered that the carrying amount of trade and other receivables approximates their fair values.
- (iii) Included in trade and other receivables of the Group are the following amounts denominated in a currency other than the functional currency of the group entity to which the balances relate:

	At December 31,		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
HK\$	<u>387</u>	<u>10,415</u>	<u>7,556</u>

24. PLEDGED BANK DEPOSITS

As at December 31, 2006, 2007 and 2008, pledged bank deposits were denominated in the following currencies:

	At December 31,		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Group			
— HK\$ (note)	—	13,907	40
— US\$ (note)	—	33,081	32,354
	—	<u>46,988</u>	<u>32,394</u>
	At December 31,		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Company			
— US\$ (note)	—	<u>33,081</u>	<u>32,355</u>

Note:

Certain bank balances of Top Promise and the Company have been pledged to secure the US\$ bank loan (note 27(iv)) as at December 31, 2007 and 2008. The effective interest rate of Top Promise and the Company per annum on the pledged bank deposits were nil and 2.98% respectively. It will be released upon the settlement of relevant bank borrowing.

The directors considered that the fair value of pledged bank deposits approximate their carrying amounts.

25. CASH AND CASH EQUIVALENTS

As at December 31, 2006, 2007 and 2008, cash and cash equivalents were denominated in the following currencies:

	At December 31,		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Group			
Cash at bank and in hand			
— RMB	1,475	70,784	602
— HK\$	185	26	62
— US\$	3	247	163
	<u>1,663</u>	<u>71,057</u>	<u>827</u>

Cash deposited with banks bear interest at effective interest rates ranging from approximately 0.01% to 2.75% per annum during the Relevant Periods.

The directors considered that the carrying amounts of cash and cash equivalents approximate their fair value.

RMB is currently not a freely convertible currency in the international market. The conversion of RMB into foreign currencies and remittance of RMB out of the PRC are subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

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26. TRADE AND OTHER PAYABLES

	At December 31,		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Group			
Trade payables (note (i))	33,086	39,355	45,543
Other payables	32,272	237,387	172,202
Receipt in advance	16,888	21,869	29,840
Amount due to a director (note 33(iii))	—	29,675	112,359
Amount due to minority shareholder (note 33(iii))	2,200	2,200	—
Amount due to a related party (note 33(iii))	—	—	815
Amounts due to shareholders (note 33(iv))	—	—	36
	<u>84,446</u>	<u>330,486</u>	<u>360,795</u>
	At December 31,		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Company			
Other payables	—	29,403	94,823
Amount due to a director (note 33(iii))	—	—	30,057
Amounts due to shareholders (note 33(iv))	—	—	36
	<u>—</u>	<u>29,403</u>	<u>124,916</u>

Notes:

- (i) The ageing analysis of trade payables of the Group as at December 31, 2006, 2007 and 2008 is as follows:

	At December 31,		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Outstanding balances with ages:			
— 90 days or below	25,031	28,134	26,638
— 91 – 180 days	349	2,358	5,064
— 181 – 365 days	355	283	2,921
— Over 365 days	7,351	8,580	10,920
	<u>33,086</u>	<u>39,355</u>	<u>45,543</u>

- (ii) The directors considered that the carrying amounts of trade and other payables approximate their fair values.
- (iii) Included in trade and other payables of the Group are the following amounts denominated in a currency other than the functional currency of the group entity to which the balances relate:

	At December 31,		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
HK\$	<u>534</u>	<u>41,967</u>	<u>207,311</u>

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27. BANK BORROWINGS

	At December 31,		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Group			
Secured	41,900	643,649	682,565
Unsecured	42,000	—	—
	<u>83,900</u>	<u>643,649</u>	<u>682,565</u>

The maturity profile of the above borrowings is as follows:

<u>Current</u>			
Due within one year	83,900	12,600	258,947
<u>Non-current</u>			
More than one year, but within two years	—	180,300	169,447
More than two years, but within five years	—	450,749	254,171
	<u>—</u>	<u>631,049</u>	<u>423,618</u>
	<u>83,900</u>	<u>643,649</u>	<u>682,565</u>

	At December 31,		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Company			
Secured	<u>—</u>	<u>631,049</u>	<u>593,065</u>

The maturity profile of the above borrowings is as follows:

<u>Current</u>			
Due within one year	—	—	169,447
<u>Non-current</u>			
More than one year, but within two years	—	180,300	169,447
More than two years, but within five years	—	450,749	254,171
	<u>—</u>	<u>631,049</u>	<u>423,618</u>
	<u>—</u>	<u>631,049</u>	<u>593,065</u>

The carrying amounts of bank borrowings by currencies are as follows:

	At December 31,		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Group			
RMB	83,900	12,600	89,500
US\$	<u>—</u>	<u>631,049</u>	<u>593,065</u>
	<u>83,900</u>	<u>643,649</u>	<u>682,565</u>

The exposure of bank borrowings of the Group to interest rate changes are as follows:

	At December 31,		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
— at fixed rates (note (i))	83,900	12,600	89,500
— at floating rates (note (ii))	—	631,049	593,065
	<u>83,900</u>	<u>643,649</u>	<u>682,565</u>

Notes :

- (i) The RMB bank loans were arranged at fixed interest rates of 5.58% to 7.25%, 6.58% to 7.03% and 5.58% to 7.47% per annum as at December 31, 2006, 2007 and 2008 respectively.
- (ii) The effective interest rate on the U.S. dollars bank loan is 19.54% per annum.
- (iii) The secured short-term RMB bank loans are collateralized by pledging of certain buildings, machinery and equipment and other assets of the Group as set out in note 29. The unsecured short-term RMB bank loans are guaranteed by the related companies of the Group.
- (iv) On June 23, 2007, the Company entered into a facility agreement with, among others, Credit Suisse, Singapore Branch acting as facility agent and security agent for and on behalf of Credit Suisse, Singapore Branch and Credit Suisse International (the "Facility Lenders") to borrow an US Dollar bank loan ("the Facility Agreement") of US\$100,000,000. Pursuant to the Facility Agreement, the bank loan should be repaid within 5 years. For the first 2 years, the Company is required to repay interest only every six months. Starting from the third year, the Company is required to repay loan principal and interest together in seven equal installments every six months. The interest is payable at an annual rate based on the 6-month LIBOR plus 4% and the loan is collateralized and guaranteed as follows:
 - Guaranteed by the Company's shareholders;
 - Guaranteed by the Company, Rich Light and Top Promise, subsidiaries of the Company;
 - Secured by the pledged bank deposits as disclosed in note 24;
 - Secured by the shares of the Company, Rich Light and Top Promise;
 - Secured by the equity interests in Chuanmei Mirabilite and Chuanmei Glauber Salt; and
 - Secured by a subordination and assignment deed for the loan owing to Mr. Suolang Duoqi by Top Promise.

In addition, as one of the conditions precedents to the provision of the facility under the Facility Agreement, the Company, its shareholders and the Facility Lenders as referred to the above entered into another agreement in respect of warrants to purchase shares in the Company. The details of the warrants agreement are set out in note 31(b)(iv).

As at December 31, 2007, the proceeds from that borrowing amounted to RMB734,588,000 (US\$100,000,000) of which RMB103,539,000 was accounted for as capital contribution from shareholders by issuing the warrants and guarantee as explained in note 31(b)(iv).

- (v) The carrying amounts of bank loans approximated their fair value.

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28. AMOUNTS DUE FROM SUBSIDIARIES

The amounts due are non-trade by nature, unsecured, interest-free and repayable on demand. The directors considered that the carrying amounts of the balances approximate their fair value.

29. PLEDGE OF ASSETS

At the respective balance sheet dates, the Group had pledged certain buildings, machinery and equipment and other assets to secure the credit facilities granted by certain banks. The carrying values of these assets pledged at the balance sheet date are as follows:

	At December 31,		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Group			
Buildings and mining structures (note 16)	5,043	4,176	71,795
Machinery and equipment (note 16)	34,143	13,398	30,110
Land use rights (note 17)	25,011	24,400	23,789
Bank deposits (note 24)	—	46,988	32,394
	<u>64,197</u>	<u>88,962</u>	<u>158,088</u>

	At December 31,		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Company			
Bank deposits (note 24)	—	33,081	32,355
	<u>—</u>	<u>33,081</u>	<u>32,355</u>

30. SHARE CAPITAL

(a) Company

	Par value	Number of	Nominal value	
	US\$	ordinary shares	US\$	RMB'000
Authorized:				
At the date of incorporation and December 31, 2007 and January 1, 2008 (note (i))	0.1	500,000	50,000	385
Subdivision of shares (note (iii))		<u>4,999,500,000</u>	<u>—</u>	<u>—</u>
At December 31, 2008	<u>0.00001</u>	<u>5,000,000,000</u>	<u>50,000</u>	<u>385</u>
Issued and fully paid:				
At the date of incorporation (note (i))	0.1	1	1	1
Issue of new shares (note (ii))	0.1	<u>99,999</u>	<u>9,999</u>	<u>76</u>
At December 31, 2007	0.1	100,000	10,000	77
Subdivision of shares (note (iii))		<u>999,900,000</u>	<u>—</u>	<u>—</u>
Issue of new shares (note (iv))	<u>0.00001</u>	<u>520,000,000</u>	<u>5,200</u>	<u>36</u>
At December 31, 2008	<u>0.00001</u>	<u>1,520,000,000</u>	<u>15,200</u>	<u>113</u>

Notes:

- (i) The Company was incorporated on April 12, 2007 with an authorized share capital of US\$50,000 divided into 500,000 shares, each with par value of US\$0.1. Upon incorporation, a share held by the subscriber was transferred to a shareholder.
- (ii) On the same date, 99,999 shares were issued and allotted at par value of US\$0.1 each.
- (iii) Pursuant to the written resolution of the shareholders of the Company passed on April 25, 2008, every issued and unissued ordinary shares of US\$0.1 each of the Company was subdivided into 10,000 ordinary of US\$0.00001 each (the "Shares Subdivision"). The Shares Subdivision became effective on the same date. As a result of the Shares Subdivision, the authorized share capital of the Company has become of US\$50,000 divided into 5,000,000,000 ordinary shares of US\$0.00001 each and the issued share capital immediately prior to the Shares Subdivision of US\$10,000 divided into 100,000 ordinary shares of US\$0.1 each has become US\$10,000 divided into 1,000,000,000 ordinary shares of US\$0.00001 each.
- (iv) On April 25, 2008 (after the effect of the Shares Subdivision), an aggregate of 520,000,000 ordinary shares were allotted and issued, credited as fully paid at par of US\$0.00001 each to the then shareholders of the Company proportional to their then shareholdings, by the capitalization of the sum of US\$5,200 (equivalent to RMB36,338) from the share premium account. Such allotment and capitalization were conditional on the share premium account being credited as a result of the new shares issued in connection with the proposed listing of the Company's shares on the Stock Exchange.

(b) Group

For the purpose of this report, the share capital in the consolidated balance sheet as at December 31, 2006 represented the paid up capital of Rich Light, a direct wholly-owned subsidiary. Upon the formation of the Group on June 12, 2007 as a result of the shares swap (note 31(b)(iii)) which took place on the same date, the Company became the holding company of the Group and the share capital in the consolidated balance sheets as at December 31, 2007 and 2008 represented the share capital of the Company (note 30(a)).

31. RESERVES

(a) Company

Details of the Company's reserve are as follows:

	Share premium (note (b)(6))	Pre-IPO share option reserve (note 32)	Capital contribution (note (b)(iv))	Translation reserve	Contributed surplus	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2007							
Exchange difference arising on translation	—	—	—	(658)	—	—	(658)
Loss for the year	—	—	—	—	—	(59,303)	(59,303)
Total recognized income and expense for the year	—	—	—	(658)	—	(59,303)	(59,961)
Issue of shares by the Company	27,872	—	—	—	—	—	27,872
Capital contribution (note (b)(iv))	—	—	103,539	—	—	—	103,539
Arising from reorganization (note)	—	—	—	—	85,142	—	85,142
At December 31, 2007 and January 1, 2008	27,872	—	103,539	(658)	85,142	(59,303)	156,592
Exchange difference arising on translation	—	—	—	699	—	—	699
Loss for the year	—	—	—	—	—	(120,935)	(120,935)
Total recognized income and expense for the year	—	—	—	699	—	(120,935)	(120,236)
Recognition of share-based payments	—	13,800	—	—	—	—	13,800
Issue of new shares upon capitalization issue (note 30(a)(iv))	(36)	—	—	—	—	—	(36)
At December 31, 2008	27,836	13,800	103,539	41	85,142	(180,238)	50,120

Note:

Contributed surplus represents the difference between the underlying net assets of the subsidiaries acquired by the Company and the nominal value of the shares issued by the Company pursuant to the shares swap as described in note 31(b)(iii).

(b) Group

Details of the movements on the Group's reserve are as set out in the consolidated statements of changes in equity on page I-6.

(i) Share premium

As described in note (ii) below, Mr. Zhang Songyi and Mr. Wang Chun Lin exercised their option to acquire 27% equity interests of the Company. Share premium represented the value of the professional services provided in connection with the acquisition of Chuanmei Mirabilite in 2004.

(ii) Share option reserve

Pursuant to a memorandum of understanding dated April 15, 2004 entered into by Mr. Suolang Duoqi, Mr. Zhang Songyi and Mr. Wang Chun Lin, Mr. Zhang Songyi and Mr. Wang Chun Lin were granted an option (the "Option") at the consideration of US\$1.00, to purchase 27% equity interests in the Company at an exercise price of US\$0.1 in exchange for their professional services in connection with the acquisition of Chuanmei Mirabilite in 2004.

The Option was exercisable for a period of 5 years from the date of acquisition of Chuanmei Mirabilite and should lapse automatically upon expiry of the exercise period. As at the date of acquisition, the value of the professional services agreed between Mr. Suolang Duoqi, Mr. Zhang Songyi and Mr. Wang Chun Lin was approximately RMB27,872,000. The professional services fee was recognized as the cost of acquisition.

On April 12, 2007, Mr. Zhang Songyi and Mr. Wang Chun Lin exercised their option to purchase 27% equity interests of the Company.

(iii) Shares swap

On June 12, 2007, Mr. Suolang Duoqi, Triple A Investments Limited and Beansprouts Limited (Triple A Investments Limited was owned by Mr. Wang Chun Lin and his spouse; Beansprouts Limited was owned by Mr. Zhang Songyi and his spouse), the then shareholders of Rich Light transferred their shares to the Company for 100,000 shares issued by the Company at par value per share ("Shares Swap"). Upon completion of the Shares Swap, the entire issued share capital of Rich Light was held by the Company and Chuanmei Mirabilite became a 90% owned subsidiary of the Company through Rich Light and Top Promise.

(iv) Capital contribution

As described in note 27 (iv) above, the Company and its shareholders entered into another agreement in respect of an instrument constituting warrants to purchase shares in the Company on June 23, 2007 (the "Instrument Constituting Warrants"). The warrants were issued by Nice Ace Technology Limited ("Nice Ace") (the "Warrant Issuer"), which held 73% interest of the Company and was wholly owned by Mr. Suolang Duoqi, to Credit Suisse, Singapore Branch and Credit Suisse International (the "Warrant Holders") with a right to purchase approximately 7.5% of the total issued shares of the Company from the Warrant Issuer (the "Warrants") within a specific period as mentioned in the section head

“Principal Terms and Conditions of the Warrants” in Appendix VIII of the Prospectus. Subject to certain conditions, the Warrants may be settled in cash in lieu of transferring of shares upon the exercise at the discretion of the Warrant Issuer. The Warrant Holders has a right to put the Warrants back at a put price which is made with reference to a 16% per annum rate of return upon the occurrence of certain events as set out in the Instrument Constituting Warrants.

Due to the fact that the facility arrangements were specially for the purpose of Top Promise's capital injection in Chuanmei Glauber Salt and the acquisition of Guangji Mine and Muma Mine, and these facility arrangements were secured by the Warrants and guarantees provided by shareholders, the capital contribution of the Group and the Company represented the fair value of the Warrants which entitled the Warrant Holders to purchase for the share capital of the Company from Nice Ace as well as the guarantees provided by the shareholders of the Company.

The fair value of the Warrants is determined by the management of the Company. Jones Lang LaSalle Sallmanns Limited, an independent firm of professionally qualified valuer is required by the Company to assist to estimate the fair value of the Warrants by using the Binomial Tree Model.

(v) Statutory reserves

— Statutory surplus reserve

According to the relevant laws and regulations in the PRC, subsidiaries of the Group are required to transfer 10% of their profits after taxation after setting off the accumulated losses brought forward from prior years, as determined under PRC Accounting Regulations, to statutory surplus reserve until the reserve balance reaches 50% of the registered capital. Any further appropriation is optional. These reserves may be used to make good previous years' losses, if any, and may be converted to increase paid-up capital of the respective entities.

— Statutory public welfare fund

In accordance with the relevant laws and regulations in the PRC, the subsidiaries of the Group is required to appropriate certain portion of its profits after tax, as determined in accordance with the PRC Accounting Regulations, to the statutory public welfare fund but the amount of appropriation is determined by the board of directors. The statutory public welfare fund shall only apply to collective welfare of staff and workers and welfare facilities remain as properties of the Group.

32. PRE-IPO SHARE OPTION SCHEME

Pursuant to a written resolution approved by the Company's shareholders on April 30, 2008, the pre-IPO share option scheme of the Company (“Pre-IPO Share Option Scheme”) became effective. See “Appendix VII — Statutory and General Information Pre-IPO Share Option Scheme”. Certain executive directors, senior managerial staff and employees of the Group were granted options to recognize their contribution to the Group. Under the Pre-IPO Share Option Scheme, 198 individuals (the “Grantees”) comprised of 3 directors, 7 senior managerial staff and 188 employees of the Group, were granted options conditionally. The exercise of the options would entitle the Grantees to purchase an aggregate of 76,000,000 shares of the Company immediately following completion of the global offering and the

capitalization issue at the offer price. The options are vested on the date on which the shares of the Company will be listed on the Stock Exchange (the "Listing Date") and the Grantees remain in employment for a certain period of time. The options are exercisable by installments and up to 7 years from the Listing Date (the "Option Period"). Details of the scheme are as follows:

(i) Particulars of the options granted

<i>Grantee(s)</i>	No. of shares to be issued upon full exercise of option	Percentage of total number of option shares granted	Percentage of total issued share capital immediately after global offering*
Zhang Daming	4,218,000	5.55%	0.22%
Deng Xianxue	3,990,000	5.25%	0.21%
Li Xudong	3,192,000	4.20%	0.16%
195 Grantees who are senior managerial staff and employee of the Group	64,600,000	85.00%	3.36%
Total	76,000,000	100.00%	3.95%

* Assuming that the over-allotment option and all options granted under the Pre-IPO Share Option Scheme are not exercised and without taking into account the purchase rights of the Warrant Holders.

(ii) Exercise of Options

Options granted under the Pre-IPO Share Option Scheme can only be exercised in the following manner:

(a) For Grantees who have joined the Company for at least one calendar year as of the Listing Date

Exercise Period	Maximum number of options exercisable
Any time after the Listing Date until the 1 st anniversary of the Listing Date	1 st phase options, being up to half of the total number of options granted
Any time after the 1 st anniversary of the Listing Date until the 2 nd anniversary of the Listing Date	2 nd phase options, after the exercise of which, the cumulative number of exercised options may be up to two-thirds of total number of options granted
Any time after the 2 nd anniversary of the Listing Date until the 3 rd anniversary of the Listing Date	3 rd phase options, after the exercise of which, the cumulative number of exercised options may be up to five-sixths of the total number of options granted
Any time after the 3 rd anniversary of the Listing Date until expiry of the validity period of the relevant options	4 th phase options, being such number of options granted less the number of options already exercised

- (b) For Grantees who have joined the Company for less than one calendar year as of the Listing Date

<u>Exercise Period</u>	<u>Maximum number of options exercisable</u>
Any time after the 1 st anniversary of the Listing Date until the 2 nd anniversary of the Listing Date	1 st phase options, being up to half of the total number of options granted
Any time after the 2 nd anniversary of the Listing Date until the 3 rd anniversary of the Listing Date	2 nd phase options, after the exercise of which, the cumulative number of exercised options may be up to two-thirds of total number of options granted
Any time after the 3 rd anniversary of the Listing Date until the 4 th anniversary of the Listing Date	3 rd phase options, after the exercise of which, the cumulative number of exercised options may be up to five-sixths of the total number of options granted
Any time after the 4 th anniversary of the Listing Date until expiry of the validity period of the relevant options	4 th phase options, being such number of options granted less the number of options already exercised

The Group will receive HK\$1 for each grant under the Pre-IPO Share Option Scheme.

No option was exercised by the Grantees and no option was cancelled or lapsed during the period between the grant date and year ended December 31, 2008.

The fair value of the options is determined by BMI Appraisals Limited, an independent valuer by using the Binomial Model. Details of the inputs to the Binomial Model are as follows:

Expected volatility* (%)	47.88%
Risk-free interest rate (%)	2.544%
Dividend yield	3.93%
Expected life of option (years)	7 years
Exercise price (HK\$)	HK\$1.659

- * The expected volatility is assumed based on the historical volatilities of the share prices of the comparable companies. It is assumed that the volatility is constant throughout the option life.

The fair value of the options granted is approximately HK\$41,099,000 in aggregate, of which the Group recognized HK\$15,512,000 (RMB13,800,000) as share option expense in the consolidated income statement for the year ended December 31, 2008. The corresponding amount has been credited to the share option reserve. No liabilities were recognized as those are equity settled share-based payments transactions.

33. RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere in this report, the Group and the Company have the following related party transactions during the Relevant Periods:

(i) Name of and relationship with related parties

<u>Name of related parties</u>	<u>Relationship</u>
Mr. Suolang Duoqi	Ultimate shareholder and director of the Company
Mr. Zhang Songyi	Ultimate shareholder and director of the Company
Mr. Li Xudong	Director of the Company and Chuanmei Mirabilite
Mr. Zhang Zhigang*	Director of Chuanmei Mirabilite
Sichuan First Silk Printing & Dyeing Co., Ltd. ("Sichuan First Silk")	10% equity holder of Chuanmei Mirabilite
Haton Polymer & Fibre Corp.	Mr. Suolang Duoqi has 54.3% equity interest in this entity
Haton Polymer & Fibre Limited	Mr. Suolang Duoqi has 54.3% equity interest in this entity
Haton Polymer Limited	Mr. Suolang Duoqi has 54.3% equity interest in this entity
Mandra Capital	Mr. Zhang Songyi has 50% equity interest in this entity
Sichuan Tengzhong	Mr. Li Xudong has 90% equity interest in this entity
Sichuan Huatuo Industry & Commerce Development Co., Ltd. ("Sichuan Huatuo")	Mr. Zhang Zhigang has 69.9% equity interest in this entity indirectly.

* Mr. Zhang Zhigang resigned as director of Chuanmei Mirabilite in February 2008.

(ii) Significant related party transactions during the Relevant Periods

	<u>Year ended December 31,</u>		
	<u>2006</u>	<u>2007</u>	<u>2008</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Consultancy fee paid to Mandra Capital	307	1,066	—
Purchase of property, plant and machinery from Sichuan Tengzhong	—	343,435	—
Rentals paid to Sichuan Huatuo	—	—	192
	<u> </u>	<u> </u>	<u> </u>

The directors considered that all related party transactions were carried out in the ordinary course of business and at terms agreed between the parties.

APPENDIX I ACCOUNTANTS' REPORT OF LUMENA RESOURCES CORP.

(iii) Amounts due from / to related parties

Group	At December 31,		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Amounts due from related parties (Non-trade):			
Mr. Suolang Duoqi (a director)	45,702	—	—
Haton Polymer & Fibre Corp.	—	6,020	—
Haton Polymer & Fibre Limited	—	135	—
Haton Polymer Limited	—	3,460	537
Sichuan Tengzhong	—	109,242	—
	<u>45,702</u>	<u>118,857</u>	<u>537</u>

All the balances due from related parties have been fully settled on or before May 13, 2009.

Maximum amount due from these related parties during the Relevant Periods are as follows:

	At December 31,		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Mr. Suolang Duoqi	45,702	45,702	—
Haton Polymer & Fibre Corp.	—	6,020	6,020
Haton Polymer & Fibre Limited	—	135	135
Haton Polymer Limited	—	3,460	3,460
Sichuan Tengzhong	—	109,242	109,242
	<u>45,702</u>	<u>155,159</u>	<u>118,857</u>

Group	At December 31,		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Amounts due to related parties (Non-trade):			
Mr. Suolang Duoqi (a director)	—	29,675	112,359
Sichuan Tengzhong	—	—	815
Sichuan First Silk (minority shareholder)	2,200	2,200	—
	<u>2,200</u>	<u>31,875</u>	<u>113,174</u>

The balance due to Sichuan First Silk was fully settled on March 31, 2008. The balances due to Mr. Suolang Duoqi and Sichuan Tengzhong have been fully settled on or before May 20, 2009.

Company	At December 31,		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Amount due to a related party (Non-trade):			
Mr. Suolang Duoqi (a director)	—	—	30,057
	<u>—</u>	<u>—</u>	<u>30,057</u>

The amounts due from / to related parties are unsecured, interest free and repayable on demand. The directors considered that the carrying amounts of the balances approximate their fair value.

APPENDIX I ACCOUNTANTS' REPORT OF LUMENA RESOURCES CORP.

(iv) Amounts due from / to shareholders

Group and Company	At December 31,		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Amounts due from shareholders (non-trade):			
Nice Ace Technology Limited	—	52	—
AAA Mining Limited	—	5	—
Mandra Mirabilite Limited (formerly known as Asia Coal Mine Methane Holdings Limited)	—	15	—
Asia Coal Bed Methane Investment Limited	—	1	—
	—	73	—
	==	==	==

All the balances were fully settled on April 29, 2008.

Group and Company	At December 31,		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Amounts due to shareholders (non-trade):			
Nice Ace Technology Limited	—	—	24
AAA Mining Limited	—	—	2
Mandra Mirabilite Limited (formerly known as Asia Coal Mine Methane Holdings Limited)	—	—	5
Mandra Esop Limited	—	—	3
OSSF Capital Sdn. Bhd.	—	—	2
	—	—	36
	==	==	==

All the balances due to shareholders have been fully settled on May 13, 2009.

The amounts due from / to shareholders are non-trade by nature, unsecured, interest free and repayable on demand. The directors considered that the carrying amounts of the balances approximate their fair value.

(v) Key management remuneration

Total staff costs include compensations to the key management personnel (excluding directors), the details of which are as follows:

	Year ended December 31,		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Salaries, allowances and other short-term employee benefits	630	789	2,449
Equity-settled share-based payment expenses	—	—	3,631
Contribution to pension plans	18	22	24
	648	811	6,104
	==	==	==

APPENDIX I ACCOUNTANTS' REPORT OF LUMENA RESOURCES CORP.

34. CAPITAL COMMITMENTS

At the balance sheet dates, the Group had the following capital commitments:

	At December 31,		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:			
— additions to property, plant and equipment	1,467	11,894	304,817
— acquisition of land use right	—	4,786	4,786
	<u>1,467</u>	<u>16,680</u>	<u>309,603</u>

The Company had no capital commitments as at December 31, 2006, 2007 and 2008.

35. OPERATING LEASE COMMITMENTS

The Group had no operating lease commitments as at December 31, 2006 and 2007. At December 31, 2008, the Group leased an office premise under operating lease arrangements and had committed to make the following future minimum lease payments in respect of non-cancellable operating leases falling due as follows :

	At December 31,		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Within one year	—	—	2,358
In the second to fifth years	—	—	2,304
	<u>—</u>	<u>—</u>	<u>4,662</u>

The Company had no operating lease commitments as at December 31, 2006, 2007 and 2008.

36. SUBSEQUENT EVENTS

Save as disclosed elsewhere in this report, the following significant events have taken place subsequent to December 31, 2008 and up to the date of this report:

(a) Share option scheme

Pursuant to the resolutions in writing of the shareholders of the Company on May 26, 2009, the Company has adopted the share option scheme. The principal terms of the share option scheme are set out in the section headed “Statutory and General Information — Share Option Scheme” of Appendix VII to the Company’s Prospectus.

(b) On January 5, 2009, the Group obtained and drawn down a loan facility of RMB30 million from Evergrowing Bank (恒豐銀行). The loan is secured by certain buildings and land use rights of the Group as well as the mining right of Dahongshan Mining Area.

(c) On May 5, 2009, Credit Suisse, Singapore Branch and the Group have agreed on certain amendments to the terms of the Credit Suisse facility agreement. The revised principal terms of the Credit Suisse facility agreement are set out as follows:

- Repayment: 65% of net IPO proceeds will be applied to repay the bank borrowing of US\$100 million as mentioned in note 27(iv).

- Loan period: After Listing, the remaining outstanding loan will be repaid at once in June 2010.
 - Interest rate: After Listing, the interest rate will be adjusted to 13.5% per annum.
 - Security: All continuing guarantees, indemnities and share charges provided by the Company's shareholders will be released before Listing. In addition, all equity pledge over subsidiaries of the Company will also be released before Listing. However, the security and guarantees as referred to in the section "History, Reorganization and Corporate Structure — Facility Arrangements — Security and Guarantee" on page 93 of the Prospectus as documents (ii), (x) and (xi) will not be released upon Listing. On May 8, 2009, Top Promise and China Sun Fund Management Limited, an independent third party, entered into a subordination and assignment deed for an unsecured offshore loan facility as disclosed in note (d) to further secure the remaining balance of US\$ bank borrowing under the Facility Agreement.
- (d) On May 7, 2009, the Group obtained an unsecured offshore loan facility of HK\$145 million (equivalent to approximately RMB127.7 million) from China Sun Fund Management Limited with a term of 3 years for repayment of the amount owed to Mr. Suolang Duoqi, a director of the Company. The principal terms have been agreed by China Sun Fund Management Limited and the Group for the unsecured loan facility are set out as follows:
- Maximum loan amount: HK\$145 million (equivalent to approximately RMB127.7 million)
 - Loan period: three years commencing from the date of drawdown of the loan facility, with voluntary repayment provisions available to the Group
 - Interest rate: 10% per annum; interest on the loan facility shall be payable on the last day of every interest period, which is of six months commencing from the date of drawdown of the loan facility
 - Priority of repayment: In any event, the bank borrowing of US\$100 million as disclosed in note 27(iv) has priority over this loan facility. For the avoidance of doubt, no repayment of loan principal and accrued interest under this loan facility shall be permitted unless the bank borrowing of US\$100 million has been repaid in full or the Company has obtained prior written consent from Credit Suisse, Singapore Branch before the full repayment of the bank borrowing of US\$100 million is made.
- (e) On May 5, 2009, the Group has obtained two commitment letters from The Agricultural Bank of China, Chengdu Economic and Technology Development Zone Branch with a loan amount of RMB300 million. Both commitments will be valid from May 2009 to May 2011.

Save as aforesaid, no other significant event took place subsequent to December 31, 2008 and up to the date of this report.

37. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to December 31, 2008.

Yours faithfully,
Grant Thornton
Certified Public Accountants
Hong Kong
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

APPENDIX II**UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The information set forth in this appendix does not form part of the Accountants' Report received from Grant Thornton, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the "Accountants' Report" set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of adjusted net tangible assets of the Group prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering on the net tangible assets of the Group attributable to the equity owners of the Company as if the Global Offering had taken place on December 31, 2008.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group had the Global Offering been completed as of December 31, 2008 or at any future dates.

	Unadjusted audited consolidated net tangible assets of the Group attributable to the equity owners of the Company as of December 31, 2008	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets of the Group attributable to the equity owners of the Company	Unaudited pro forma adjusted net tangible assets per share	
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000	RMB (Note 3)	HK\$ (Note 4)
Based on an Offer Price of HK\$1.72 per share	354,856	475,192	830,048	0.43	0.49
Based on an Offer Price of HK\$2.56 per share	354,856	760,812	1,115,668	0.58	0.66

Notes:

- (1) The unadjusted audited consolidated net tangible assets attributable to the equity owners of the Company as of December 31, 2008 is extracted from the Accountants' Report set out in Appendix I to this prospectus, after adjusting for the mining rights, goodwill and other intangible asset of approximately RMB404,470,000, RMB8,386,000 and RMB17,588,000 respectively.
- (2) The estimated net proceeds from the Global Offering are based on the Offer price of HK\$1.72 per Share and HK\$2.56 per Share, respectively, after deduction of the underwriting fees and other related expenses payable by the Company. No account has been taken of the Share which may be issued pursuant to any exercise of Over-allotment Option.
- (3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in Note 1 above and on the basis of 1,924,000,000 Shares (being the aggregate of the number of shares of 404,000,000 expected to be issued immediately after completion of Global Offering, without taking into account any Shares which may be issued upon the exercise of Over-allotment Option or the exercise of the options granted under the Pre-IPO Share Option Scheme and Share Option Scheme and the 1,520,000,000 Shares in issue as at December 31, 2008).
- (4) Our property interests were valued by Jones Lang LaSalle Sallmanns Limited and the valuation in respect of which was set out in Appendix IV to this prospectus. Pursuant to the valuation performed by Jones Lang LaSalle Sallmanns Limited, our property interest as at March 31, 2009 amounted to approximately RMB230,066,000. Comparing the valuation amount as at March 31, 2009 to the unaudited net carrying

value of our property interests as at March 31, 2009 of RMB187,009,000, there was a surplus of approximately RMB43,057,000. If such revaluation surplus was incorporated in the Group's financial statements for the year ending December 31, 2009, additional amortization of RMB220,000 and depreciation of RMB1,068,000 would be charged. The revaluation surplus will not be reflected in the financial statements in subsequent year as we have elected to state the property interests at cost model.

- (5) The translation of Renminbi into Hong Kong dollars has been made at the rate of RMB0.8813 to HK\$1.00. No representation is made that the Renminbi amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate, or at any other rate or at all.

B. UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE

The following is an illustrative and unaudited pro forma forecast earnings per Share prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had been taken place on December 31, 2008. This unaudited pro forma forecast earnings per Share has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of financial results of the Group for the year ending December 31, 2009 or any future period.

Forecast consolidated profit attributable to equity owners of the

Company for the year ending December 31, 2009 (1) not less than RMB500.0 million

Unaudited pro forma forecast earnings per Share for the year

ending December 31, 2009 (2) not less than RMB0.26

Notes:

- (1) The forecast consolidated profit attributable to equity owners of the Company for the year ending December 31, 2009 is extracted from the section headed “Financial Information — Profit Forecast for the year ending December 31, 2009” in this Prospectus. The bases and assumptions on which the above profit forecast has been prepared are summarized in Appendix III to this prospectus. The directors of the Company have prepared the forecast consolidated profit attributable to equity owners of the Company for the year ending December 31, 2009 based on the audited consolidated financial statements of the Group for the year ended December 31, 2008, the unaudited consolidated results based on management accounts of the Group for the three months ended March 31, 2009 and a forecast of the consolidated results of the Group for the remaining nine months ending December 31, 2009. The forecast has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by the Group as set out in Note 3 of Section II of the Accountants’ Report, the text of which is set out in Appendix I to this prospectus.
- (2) The calculation of the pro forma forecast earnings per Share is based on the forecast consolidated profit attributable to equity owners of the Company for the year ending December 31, 2009, assuming that the Global Offering was completed on January 1, 2009 and a total of 1,924,000,000 Shares had been issued and outstanding during the entire year. This calculation assumes that no options are granted under the Share Option Scheme and the Pre-IPO Share Option Scheme and no exercise of Over-allotment Option.

C. REPORT FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of report received from Grant Thornton, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



Member of Grant Thornton International Ltd

June 4, 2009

REPORT FROM REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF LUMENA RESOURCES CORP.

We report on the unaudited pro forma financial information of Lumena Resources Corp (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out on pages II-1 to II-3 under the headings of “Unaudited Pro Forma Adjusted Net Tangible Assets” and “Unaudited Pro Forma Forecast Earnings Per Share” (the “Unaudited Pro Forma Financial Information”) in Appendix II of the Company’s prospectus dated June 4, 2009, in connection with the, global offering of the shares of the Company (the “Prospectus”). The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the global offering might have affected the relevant financial information of the Group. The basis of preparation of the Unaudited Pro Forma financial information is set out on pages II-1 to II-3 of the Prospectus.

Respective Responsibilities of Directors of The Company And Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by rule 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the audited combined net assets of the Group as of December 31, 2008 with the Accountants’ Report as set out in Appendix I of the Prospectus, comparing the unaudited forecast consolidated profit attributable to equity owners of the Company for the year ending December 31, 2009 with the profit forecast as set out in the section headed “Financial Information” in the Prospectus, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma

Financial Information with the directors of the Company. The engagement did not involve independent examination of any of the underlying Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as of December 31, 2008 or any future date, or
- the earnings per share of the Group for the year ending December 31, 2009 or any future periods.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

Yours faithfully

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

The forecast of the consolidated profit attributable to the equity holders of the Company for the year ending December 31, 2009 is set out in the subsection headed “Profit forecast for the year ending December 31, 2009” under the section headed “Financial information” in this prospectus.

(A) BASES AND ASSUMPTIONS

The forecast of the consolidated profit attributable to the equity holders of the Company for the year ending December 31, 2009 prepared by the Directors is based on the audited consolidated results of the Group for the year ended December 31, 2008, the unaudited management accounts of the Group for the three months ended March 31, 2009 and a forecast of the consolidated results of the Group for the nine months ending December 31, 2009. The forecast has been prepared on the basis of the accounting policies consistent in all material aspects with those currently adopted by the Group as summarized in the Accountants’ Report, the text of which is set out in Appendix I to the Prospectus, and has been prepared on the following principal bases and assumptions:

- There will be no material changes in the existing political, legal, fiscal, market or economic conditions in the jurisdiction in which the Group currently operates or which are otherwise material to the Group’s business;
- There will be no changes in legislation, regulations or rules in the jurisdiction in which the Group operates or with which the Group has arrangements or agreements, which may materially adversely affect the Group’s business or operations;
- There will be no material changes in inflation rates, interest rates or foreign exchange rates from those currently prevailing in the context of the Group’s operations;
- The Group’s operations will not be materially and adversely affected by any of the risk factors set out in the section headed “Risk Factors” in this prospectus;
- There will be no material changes in the bases or applicable rates of taxation, surcharges or other government levies in the jurisdiction in which the Group operates; there will be no wars, military incidents, pandemic diseases, natural disasters, or force majeure event, unforeseeable factors or unforeseeable reasons that are beyond the control of the Directors, that would have a material impact on the Group’s business and operating activities; and
- The PRC Government will continue to adopt moderate macroeconomic and monetary policies similar to those of 2008, in order to maintain a consistent rate of economic growth.

(B) LETTERS

The following is the text of the letters received by the Directors from the Company's reporting accountants, Grant Thornton, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus in connection with the forecast of the consolidated profit attributable to the equity holders of the Company for the financial year ending December 31, 2009.



Member of Grant Thornton International Ltd

June 4, 2009

The Directors
Lumena Resources Corp.

Credit Suisse (Hong Kong) Limited
Somerley Limited

Dear Sirs

INTERNATIONAL PLACING OF SHARES BY LUMENA RESOURCES CORP.

We have reviewed the calculations of and accounting policies adopted in arriving at the forecast of the consolidated profit after taxation and minority interests of Lumena Resources Corp. (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ending December 31, 2009 (the "Profit Forecast") as set forth in the prospectus of the Company dated June 4, 2009 (the "Prospectus").

We conducted our work in accordance with the Auditing Guideline 3.341 on "Accountants' report on profit forecasts" issued by the Hong Kong Institute of Certified Public Accountants.

The Profit Forecast, for which the directors of the Company are solely responsible, has been prepared by them based on the audited consolidated results of the Group for the year ended December 31, 2008, the unaudited management accounts for the three months ended March 31, 2009 and a forecast of the consolidated results of the Group for the nine months ending December 31, 2009 on the basis that the current Group structure had been in existence throughout the whole financial year ending December 31, 2009.

In our opinion, the Profit Forecast, so far as the calculations and accounting policies are concerned, has been properly compiled in accordance with the bases and assumptions made by the directors of the Company as set out Part (A) of Appendix III to the Prospectus, and is presented on a basis consistent in all material respects with the accounting policies presently adopted by the Group as set out in our accountants' report dated June 4, 2009, the text of which is set out in Appendix I of the Prospectus.

Yours faithfully

Grant Thornton
Certified Public Accountants
Hong Kong

(C) LETTER FROM THE JOINT SPONSORS

The following is the text of a letter, prepared for inclusion in this prospectus, received by the Directors from Credit Suisse (Hong Kong) Limited and Somerley Limited, the Joint Sponsors, in connection with the forecast of the consolidated profit attributable to equity holders of the Company for the year ending December 31, 2009.

Credit Suisse (Hong Kong) Limited

45/F, Two Exchange Square
8 Connaught Place, Central
Hong Kong

Somerley Limited

10/F, The Hong Kong Club Building
3A Chater Road, Central
Hong Kong

June 4, 2009

The Directors
Lumena Resources Corp.

Dear Sirs

We refer to the forecast of the consolidated net profit attributable to equity holders of Lumena Resources Corp. (the “Company”) for the year ending December 31, 2009 (the “Profit Forecast”) as set out in the prospectus issued by the Company dated June 4, 2009 (the “Prospectus”).

We understand that the Profit Forecast has been prepared by the directors of the Company based on the audited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the year ended December 31, 2008, the unaudited management accounts for the three months ended March 31, 2009 and a forecast of the consolidated results of the Group for the remaining nine months ending December 31, 2009.

We have discussed with you the bases and assumptions, as set forth in part (A) of Appendix III to the Prospectus, upon which the Profit Forecast has been made. We have also considered the letter dated June 4, 2009 addressed to yourselves and ourselves from Grant Thornton regarding the accounting policies and calculations upon which the Profit Forecast has been made.

On the basis of the information comprising the Profit Forecast and on the basis of the accounting policies and calculations adopted by you and reviewed by Grant Thornton, we are of the opinion that the Profit Forecast, for which you as directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully,

For and on behalf of
Credit Suisse (Hong Kong) Limited
Mervyn Chow
Managing Director

For and on behalf of
Somerley Limited
M. N. Sabine
Chairman

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation as at March 31, 2009 of the property interests of the Group.



JONES LANG
LASALLE® SALLMANNS

Jones Lang LaSalle Sallmanns Limited
17/F Dorset House Taikoo Place
979 King's Road Quarry Bay Hong Kong
tel +852 2169 6000 fax +852 2169 6001
Licence No: C-030171

June 4, 2009

The Board of Directors
Lumena Resources Corp.
Suite 2801, Shui On Centre
6-8 Harbour Road
Wanchai, Hong Kong

Dear Sirs,

In accordance with your instructions to value the properties in which Lumena Resources Corp. (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in the People's Republic of China (the "PRC") and Hong Kong, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at March 31, 2009 (the "date of valuation").

Our valuation of the property interests represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

We have valued the property interests of property nos. 2, 3, 5 and 9 in Group I and II by direct comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

Due to the nature of the buildings and structures of property nos. 1, 4, 6, 7 and 8 in Group I and the particular locations in which they are situated, there are unlikely to be relevant market comparable sales readily available. The property interests have therefore been valued on the basis of their depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacement (reproduction) of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimization". It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business.

We have attributed no commercial value to the property interests in Groups III and IV, which are leased by the Group, due either to the short-term nature of the lease or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards (6th Edition) published by the Royal Institution of Chartered Surveyors; and the HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates and official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers — Grandall Legal Group (Shanghai), concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory.

A serious earthquake struck certain areas of Sichuan Province in the PRC on May 12, 2008 causing damage to many properties. Properties inspected after that date will have attention drawn to the fact that they lie in an earthquake zone and may have been affected by the quake. We are not structural engineers and are unable to give expert opinion whether or not the properties are in satisfactory structural condition. Therefore, in the course of our valuation, we have relied considerably on the advice given by the Property Safety Evaluation Office of Real Estate Bureau of Meishan City, concerning the structural condition of the properties located in this area in the PRC, and have made appropriate adjustments to our valuation as a result.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

The continued turmoil and instability in the financial markets is continuing to cause volatility and uncertainty in the world's capital markets and real estate markets. There are low levels of liquidity in the real estate market and transaction levels are significantly reduced, resulting in a lack of clarity as to pricing levels and the market drivers. This, combined with a general weakening of sentiment towards real estate, has resulted in a continual reappraisal of local property prices. Many transactions that are occurring involve vendors who are more compelled to sell, or purchasers who will only buy at discounted prices. In this environment, prices and values are going through a period of heightened volatility whilst the market absorbs the various issues and reaches its conclusions. The period required to negotiate a sale may also extend considerably beyond the normally expected period, which would also reflect the nature and size of the property.

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Sallmanns Limited
Paul L. Brown
B.Sc. FRICS FHKIS
Director

Note: Paul L. Brown is a Chartered Surveyor who has 26 years' experience in the valuation of properties in the PRC and 29 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.

SUMMARY OF VALUES

Group I — Property interests held and occupied by the Group in the PRC

No.	Property	Capital value in existing state as at March 31, 2009 RMB	Interest attributable to the Group	Capital value attributable to the Group as at March 31, 2009 RMB
1.	2 parcels of land, various buildings and structures located at Dahongshan Pan'ao Village Wansheng Town Dongpo District Meishan City Sichuan Province The PRC	52,810,000	90%	47,529,000
2.	A unit on Level 2 of a building No. 21 Xiaobei Street Dongpo District Meishan City Sichuan Province The PRC	541,000	90%	487,000
3.	2 units on Level 1 of a building No. 146 Dabei Street Dongpo District Meishan City Sichuan Province The PRC	4,465,000	90%	4,019,000
4.	A parcel of land, various buildings and a structure located at No. 384 Meixiang Road Dongpo District Meishan City Sichuan Province The PRC	1,364,000	90%	1,228,000
5.	Units 201, 202, 301, 302, 401, 402 and 501 of a building No. 121-1 Sansu Dadao of Railway Station Square Dongpo District Meishan City Sichuan Province The PRC	880,000	90%	792,000
6.	A parcel of land, various buildings and a structure located at Railway Station Dongpo District Meishan City Sichuan Province The PRC	1,429,000	90%	1,286,000

APPENDIX IV**PROPERTY VALUATION**

No.	Property	Capital value in existing state as at March 31, 2009 RMB	Interest attributable to the Group	Capital value attributable to the Group as at March 31, 2009 RMB
7.	5 parcels of land and a building located at Group 6 Wuyi Village Group 1 and 6 Yachi Village Guangji Town Dongpo District Meishan City Sichuan Province The PRC	1,968,000	90%	1,771,000
8.	3 parcels of land, various buildings and structures located at Guangji Village Dongpo District Meishan City Sichuan Province The PRC	166,757,000	100%	166,757,000
Sub-total:		<u>230,214,000</u>		<u>223,869,000</u>

Group II — Property interest held by the Group for future development in the PRC

No.	Property	Capital value in existing state as at March 31, 2009 RMB	Interest attributable to the Group	Capital value attributable to the Group as at March 31, 2009 RMB
9.	3 parcels of land located at Tiangong Village Wuyang Town Pengshan County Meishan City Sichuan Province The PRC	6,197,000	100%	6,197,000
Sub-total:		<u>6,197,000</u>		<u>6,197,000</u>

APPENDIX IV**PROPERTY VALUATION****Group III — Property interests rented and occupied by the Group in the PRC**

No.	Property	Capital value in existing state as at March 31, 2009 <i>RMB</i>	Capital value attributable to the Group as at March 31, 2009 <i>RMB</i>
10.	A parcel of land, various buildings and structures located at Tianle Village Dongpo District Meishan City Sichuan Province The PRC	No commercial value	No commercial value
11.	A parcel of land, various buildings and structures located at Weixing Village Dongpo District Meishan City Sichuan Province The PRC	No commercial value	No commercial value
12.	Levels 2, 3 and 4 of Area A and Level 2 of Area C of Building No. 9 Fuhua Park High and New Technique Development Zone Chengdu City Sichuan Province The PRC	No commercial value	No commercial value
Sub-total:		Nil	Nil

Group IV — Property interest rented and occupied by the Group in Hong Kong

No.	Property	Capital value in existing state as at March 31, 2009 <i>RMB</i>	Capital value attributable to the Group as at March 31, 2009 <i>RMB</i>
13.	Suites 2801-2803 on 28/F Shui On Centre Nos. 6-8 Harbour Road Wanchai Hong Kong	No commercial value	No commercial value
Sub-total:		Nil	Nil
Grand total:		236,411,000	230,066,000

VALUATION CERTIFICATE

GROUP I — Property interests held and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2009 RMB
1.	2 parcels of land, various buildings and structures located at Dahongshan Pan'ao Village Wansheng Town Dongpo District Meishan City Sichuan Province The PRC	<p>The property comprises 2 parcels of land with a total site area of approximately 229,443.04 sq.m. and 94 buildings and various ancillary structures erected thereon which were completed in various stages between 1961 and 2007.</p> <p>The buildings have a total gross floor area of approximately 34,091.48 sq.m.</p> <p>The buildings mainly include industrial buildings, office buildings, dormitories and guardhouses, etc.</p> <p>The structures mainly include boundary fences, roads and gates, etc.</p> <p>The land use rights of the property have been granted for various terms with the expiry dates on April 6, 2048 and April 1, 2051 for composite and industrial uses.</p>	<p>The property is currently occupied by the Group for production, office and storage purposes.</p>	<p>52,810,000</p> <p>90% interest attributable to the Group: RMB47,529,000</p>

Notes:

- Pursuant to 2 State-owned Land Use Rights Certificates — Mei Shi Guo Yong (2005) Di No. 0105 dated June 13, 2005 and Meishi Guo Yong (2001) Di No. 00002 dated April 18, 2001 issued by the Land Resources Bureau of Meishan City, the land use rights of 2 parcels of land with a total site area of approximately 229,443.04 sq.m. have been granted to Sichuan Chuanmei Mirabilite Co., Ltd. (“Chuanmei Mirabilite”), a 90% interest owned subsidiary of the Company, for various terms with the expiry dates on April 6, 2048 and April 1, 2051 respectively for composite and industrial uses.
- Pursuant to 81 Building Ownership Certificates — Mei Fang Quan Zheng Dongpo Qu Pan'ao Xiang Zi Di Nos. M-300045070743 to M-300045070748, M-300045070750 to M-300045070771 and Mei Quan Fang Quan Zheng Zi Di Nos. 0003202 to 0003254 issued by the People's Government of Meishan City, 83 buildings with a total gross floor area of approximately 31,930.48 sq.m. are owned by Chuanmei Mirabilite.
- In the valuation of this property, we have attributed no commercial value to the 11 buildings with a total gross floor area of approximately 2,161 sq.m. which have not obtained Building Ownership Certificates. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the above buildings (excluding the land) as at the date of valuation would be RMB875,000

assuming all relevant title certificates have been obtained and the buildings could be freely transferred.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. Chuanmei Mirabilite has the rights to use, transfer, lease, mortgage or otherwise dispose of the land use rights (stated in Note 1) in accordance with the PRC laws;
 - b. The building ownership rights of the buildings with a total gross floor area of approximately 31,930.48 sq.m. (stated in Note 2) are legally vested in Chuanmei Mirabilite and can be transferred, leased, mortgaged or handled by the Group;
 - c. Chuanmei Mirabilite will not apply for the Building Ownership Certificates of 4 buildings with a total gross floor area of approximately 997 sq.m. Chuanmei Mirabilite is planning to demolish these buildings when the infrastructures are renewed. The remaining 7 buildings with a total gross floor area of approximately 1,164 sq.m. have not obtained the Building Ownership Certificates, there will be no effect on the Company's production if the buildings are demolished; and
 - d. A parcel of land with a site area of 208,109.04 sq.m. (stated in Note 1) and 82 buildings with a total gross floor area of 31,477.46 sq.m. (stated in Note 2) are subject to a mortgage in favor of Meishan Branch of Industrial and Commercial Bank of China and Chengdu Evergrowing Bank for bank loans with the expiry dates on July 13, 2009 and January 4, 2010.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2009 RMB
2.	A unit on Level 2 of a building No. 21 Xiaobei Street Dongpo District Meishan City Sichuan Province The PRC	<p>The property comprises a unit on Level 2 of a 6-storey building completed in about 1987.</p> <p>The unit has a gross floor area of approximately 216.3 sq.m.</p> <p>The land use rights of the property have been granted for a term with the expiry date on June 20, 2041 for residential and commercial uses.</p>	<p>The property is currently occupied by the Group for residential purpose.</p>	<p>541,000</p> <p>90% interest attributable to the Group: RMB487,000</p>

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate — Mei Di Guo Yong (98) Zi Di No. 00005 dated April 9, 1998 issued by the Land Resources Bureau of Meishan City, the land use rights of the property with an apportioned land area of approximately 213.34 sq.m. have been granted to Sichuan Chuanmei Mirabilite Co., Ltd. (“Chuanmei Mirabilite”), a 90% interest owned subsidiary of the Company, for a term with the expiry date on June 20, 2041 for residential and commercial uses.
2. Pursuant to a Building Ownership Certificate — Mei Fang Quan Zheng Dongpo Zhen Zi Di No. M-010011036800 issued by the People’s Government of Meishan City, a unit with a gross floor area of approximately 216.3 sq.m. is owned by Chuanmei Mirabilite.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - a. Chuanmei Mirabilite has the rights to use, transfer, lease, mortgage or otherwise dispose of the land use rights (stated in Note 1) in accordance with the PRC laws; and
 - b. The building ownership rights of the unit with a gross floor area of approximately 216.3 sq.m. (stated in Note 2) are legally vested in Chuanmei Mirabilite and can be transferred, leased, mortgaged or handled by the Group.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2009 RMB
3.	2 units on Level 1 of a building No. 146 Dabei Street Dongpo District Meishan City Sichuan Province The PRC	<p>The property comprises 2 units on Level 1 of a 6-storey building completed in about 1995.</p> <p>The units have a total gross floor area of approximately 930.14 sq.m.</p> <p>The land use rights of the property have been granted for a term of 40 years with the expiry date on November 7, 2046 for commercial use.</p>	<p>The property is currently occupied by the Group for commercial purpose except for certain portions of the units which were leased to six independent third parties. (Please refer to Note 4)</p>	<p>4,465,000</p> <p>90% interest attributable to the Group: RMB4,019,000</p>

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract dated November 7, 2006 entered into between the Land Resources Bureau of Meishan City and Sichuan Chuanmei Mirabilite Co., Ltd. (“Chuanmei Mirabilite”), a 90% interest owned subsidiary of the Company, the land use rights of the property with a total apportioned land area of approximately 163.47 sq.m. were contracted to be granted to Chuanmei Mirabilite for a term of 40 years with the expiry date on November 7, 2046 for commercial use. The land premium was RMB285,400.
- Pursuant to a State-owned Land Use Rights Certificate — Mei Shi Guo Yong (2006) Zi Di No. 0361 issued by the Land Resources Bureau of Meishan City, the land use rights of the property with an apportioned land area of approximately 163.47 sq.m. have been granted to Chuanmei Mirabilite for a term of 40 years with the expiry date on November 7, 2046 for commercial use.
- Pursuant to 2 Building Ownership Certificates — Mei Fang Quan Zheng Dongpo Zhen Zi Di No. M-010041037306 dated March 3, 2001 and Mei Fang Quan Zheng Dongpo Qu Zi Di M-010053166149 dated October 14, 2008 issued by the People’s Government of Meishan City, 2 units with a total gross floor area of approximately 930.14 sq.m. are owned by Chuanmei Mirabilite.
- Pursuant to 8 Tenancy Agreements entered into between Chuanmei Mirabilite and six independent third parties, portions of the units with a total gross floor area of approximately 556.04 sq.m. were leased to six independent third parties for various terms with the expiry dates between July 30, 2009 and April 27, 2010 for commercial use at a total annual rent of RMB60,515.
- We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - Chuanmei Mirabilite has the rights to use, transfer, lease, mortgage or otherwise dispose of the land use rights (stated in Note 2) in accordance with the PRC laws;
 - The building ownership rights of the units with a total gross floor area of approximately 930.14 sq.m. (stated in Note 3) are legally vested in Chuanmei Mirabilite and can be transferred, leased, mortgaged or handled by the Group; and

- c. The property is subject to a mortgage in favor of Meishan Branch of Industrial and Commercial Bank of China for bank loans commencing from December 12, 2008 and expiring on December 10, 2009.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2009 RMB
4.	A parcel of land, various buildings and a structure located at No. 384 Meixiang Road Dongpo District Meishan City Sichuan Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 1,981.12 sq.m., 5 buildings and an ancillary structure erected thereon which were completed in various stages between 1996 and 2002.</p> <p>The buildings have a total gross floor area of approximately 2,065 sq.m.</p> <p>The buildings comprise an office building, 3 garages and a gatehouse.</p> <p>The structure comprises boundary fences.</p> <p>The land use rights of the property have been granted for a term with the expiry date on April 18, 2051 for residential and office uses.</p>	<p>The property is currently occupied by the Group for office and ancillary purposes.</p>	<p>1,364,000</p> <p>90% interest attributable to the Group: RMB1,228,000</p>

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate — Mei Shi Guo Yong (2001) Zi Di No. 00003 dated April 18, 2001 issued by the Land Resources Bureau of Meishan City, the land use rights of a parcel of land with a site area of approximately 1,981.12 sq.m. have been granted to Sichuan Chuanmei Mirabilite Co., Ltd. (“Chuanmei Mirabilite”), a 90% interest owned subsidiary of the Company, for a term with the expiry date on April 18, 2051 for residential and office uses.
2. In the valuation of this property, we have attributed no commercial value to the 5 buildings with a total gross floor area of approximately 2,065 sq.m. which have not obtained Building Ownership Certificates. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the date of valuation would be RMB1,254,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - a. Chuanmei Mirabilite has the rights to use, transfer, lease, mortgage or otherwise dispose of the land use rights (stated in Note 1) in accordance with the PRC laws; and
 - b. A building with a gross floor area of approximately 120 sq.m. has not obtained the Building Ownership Certificate, there would be no effect on the Company’s production if the building is demolished. Chuanmei Mirabilite will not apply for the Building Ownership Certificates of 4 buildings with a total gross floor area of approximately 1,945 sq.m. Chuanmei Mirabilite is planning to demolish the buildings when the infrastructures are renewed.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2009 RMB
5.	Units 201, 202 301, 302, 401, 402 and 501 of a building No. 121-1 Sansu Dadao of Railway Station Square Dongpo District Meishan City Sichuan Province The PRC	<p>The property comprises 7 units on Levels 2, 3, 4 and 5 of a 6-storey residential building completed in about 2003.</p> <p>The units have a total gross floor area of approximately 1,025.5 sq.m.</p> <p>The land use rights of the property have been granted for a term with the expiry date on June 20, 2073 for residential use.</p>	<p>The property is currently vacant.</p>	<p>880,000</p> <p>90% interest attributable to the Group: RMB792,000</p>

Notes:

- Pursuant to 7 State-owned Land Use Rights Certificates — Mei Shi Guo Yong (2003) Di Nos. 00251 to 00254 and 00256 to 00258 dated July 20, 2003 issued by the Land Resources Bureau of Meishan City, the land use rights of the property with a total apportioned land area of approximately 207 sq.m. have been granted to Sichuan Chuanmei Mirabilite Co., Ltd. (“Chuanmei Mirabilite”), a 90% interest owned subsidiary of the Company, for a term with the expiry date on June 20, 2073 for residential use.
- Pursuant to 7 Building Ownership Certificates — Mei Fang Quan Zheng Dongpo District Dongpo Zhen Zi Di Nos. M-010341055000, M-010341054999, M-010341055002, M-010341055004, M-010341055003, M-010341054998 and M-010341055001 dated May 29, 2003 issued by the People’s Government of Meishan City, 7 units with a total gross floor area of approximately 1,025.5 sq.m. are owned by Chuanmei Mirabilite.
- As advised by the Group, pursuant to a Building Sale and Purchase Contract dated November 26, 2008, the property has been sold to Renshou Taiji Trading Co., Ltd. at a consideration of RMB880,000. The transaction has not been completed and therefore we have included the property in our valuation.
- We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - Chuanmei Mirabilite has the rights to use, transfer, lease, mortgage or otherwise dispose of the land use rights (stated in Note 1) in accordance with PRC laws;
 - The building ownership rights of the units with a total gross floor area of approximately 1,025.5 sq.m. (stated in Note 2) are legally vested in Chuanmei Mirabilite and can be transferred, leased, mortgaged or handled by the Group; and
 - The Building Sale and Purchase Contract (stated in Note 3) is legally binding and enforceable.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2009 RMB
6.	A parcel of land various buildings and a structure located at Railway Station Dongpo District Meishan City Sichuan Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 8,623.63 sq.m. and 5 buildings and an ancillary structure erected thereon which were completed in various stages between 1996 and 2004.</p> <p>The buildings have a total gross floor area of approximately 6,044.4 sq.m.</p> <p>The buildings comprise an office building, 2 storage buildings and 2 ancillary buildings.</p> <p>The structure comprises a boundary fence.</p> <p>The land use rights of the property have been granted for a term with the expiry date on April 6, 2048 for storage use.</p>	<p>The property is currently occupied by the Group for office, storage and ancillary purposes.</p>	<p>1,429,000</p> <p>90% interest attributable to the Group: RMB 1,286,000</p>

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate — Mei Shi Guo Yong (2003) Zi Di No. 0182 dated October 14, 2003 issued by the Land Resources Bureau of Meishan City, the land use rights of a parcel of land with a site area of approximately 8,623.63 sq.m. have been granted to Sichuan Chuanmei Mirabilite Co., Ltd. (“Chuanmei Mirabilite”), a 90% interest owned subsidiary of the Company, for a term with the expiry date on April 6, 2048 for storage use.
2. In the valuation of this property, we have attributed no commercial value to the 5 buildings of the property which have not obtained Building Ownership Certificates. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land) as at the date of valuation would be RMB3,136,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. Chuanmei Mirabilite has the rights to use, transfer, lease, mortgage or otherwise dispose of the land use rights (stated in Note 1) in accordance with PRC laws;
 - b. There is no legal impediment for the Group in obtaining the Building Ownership Certificates for 2 buildings with a total gross floor area of approximately 5,853.4 sq.m. after the completion of urban planning adjustments and the Group has obtained the relevant planning documents;

- c. Chuanmei Mirabilite has not obtained the Building Ownership Certificates for the remaining 3 buildings with a total gross floor area of approximately 191 sq.m. Chuanmei Mirabilite is planning to demolish these buildings when the infrastructures are renewed; and
- d. The land use rights of the property (stated in Note 1) are subject to a mortgage in favor of Meishan Branch of Industrial and Commercial Bank of China for bank loans commencing from December 15, 2008 and expiring on December 10, 2009.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2009 RMB
7.	5 parcels of land and a building located at Group 6 Wuyi Village Group 1 and 6 Yachi Village Guangji Town Dongpo District Meishan City Sichuan Province The PRC	<p>The property comprises 5 parcels of land with a total site area of approximately 21,412.45 sq.m. and an industrial building erected thereon which was completed in about 1981.</p> <p>The building has a gross floor area of approximately 1,000 sq.m.</p> <p>The land use rights of the property have been granted for a term with the expiry dates on April 28, 2041 and June 20, 2041 for industrial use.</p>	The property is currently occupied by the Group for production purpose.	<p>1,968,000</p> <p>90% interest attributable to the Group: RMB1,771,000</p>

Notes:

1. Pursuant to 5 State-owned Land Use Rights Certificates — Mei Di Guo Yong (98) Zi Di No. 00008 dated April 20, 1998 and Mei Di Guo Yong (98) Zi Di Nos. 00006 and 00009 to 00011 dated April 9, 1998 issued by the Land Resources Bureau of Meishan City, the land use rights of 5 parcels of land with a total site area of approximately 21,412.45 sq.m. have been granted to Sichuan Chuanmei Mirabilite Co., Ltd. (“Chuanmei Mirabilite”), a 90% interest owned subsidiary of the Company, for a term with the expiry dates on April 28, 2041 and June 20, 2041 for industrial use.
2. In the valuation of this property, we have attributed no commercial value to the building with a gross floor area of approximately 1,000 sq.m. which has not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the building (excluding the land) as at the date of valuation would be RMB210,000 assuming the relevant title certificate has been obtained and the building could be freely transferred.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - a. Chuanmei Mirabilite has the rights to use, transfer, lease, mortgage or otherwise dispose of the land use rights (stated in Note 1) in accordance with the PRC laws;
 - b. Chuanmei Mirabilite has not obtained the Building Ownership Certificate for the building with a gross floor area of approximately 1,000 sq.m. Chuanmei Mirabilite is planning to demolish this building when the infrastructures are renewed; and
 - c. A parcel of land (stated in Note 1) with a site area of approximately 20,654 sq.m. is subject to a mortgage in favor of Meishan Branch of Industrial and Commercial Bank of China for bank loans commencing from December 15, 2008 and expiring on December 10, 2009.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2009 RMB
8.	3 parcels of land various buildings and structures located at Guangji Village Dongpo District Meishan City Sichuan Province The PRC	<p>The property comprises 3 parcels of land with a total site area of approximately 333,333.31 sq.m. and 20 buildings and various ancillary structures erected thereon which were completed in 2007.</p> <p>The buildings have a total gross floor area of approximately 50,501.02 sq.m.</p> <p>The buildings mainly include industrial buildings and office buildings.</p> <p>The structures mainly include boundary fences and roads, etc.</p> <p>The land use rights of the property have been granted for a term of 50 years with the expiry date on June 3, 2058 for industrial use.</p>	The property is currently occupied by the Group for production and office purposes.	<p>166,757,000</p> <p>100% interest attributable to the Group: RMB166,757,000</p>

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract and a Supplementary Contract dated January 15, 2008 and May 26, 2008 entered into between the Land Resources Bureau of Dongpo District of Meishan City and Sichuan Chuanmei Special Glauber Salt Co., Ltd. ("Chuanmei Glauber Salt"), a wholly-owned subsidiary of the Company, the land use rights of 3 parcels of land with a total site area of approximately 333,333.31 sq.m. were contracted to be granted to Chuanmei Glauber Salt for a term of 50 years for industrial use. The land premium was RMB32,000,000.
- Pursuant to 3 State-owned Land Use Rights Certificates — Mei Dong Guo Yong (2008) Di Nos. 04744 to 04746 issued by the Land Resources Bureau of Meishan City, the land use rights of 3 parcels of land with a total site area of approximately 333,333.31 sq.m. have been granted to Chuanmei Glauber Salt for a term of 50 years with the expiry date on June 3, 2058 for industrial use.
- Pursuant to 17 Building Ownership Certificates — Mei Fang Quan Zheng Dongpo Qu Guangji Xiang Zi Di Nos. M-320107185462 to M-320107185466, M-320107185468, M-320107185470, M-320107185472, M-320107185476, M-320107185478, M-320107185481 to M-320107185485 and Mei Quan Fang Quan Zheng Zi Di Nos. 0002038 and 0002041 issued by the People's Government of Meishan City, 20 buildings with a total gross floor area of approximately 50,501.02 sq.m. are owned by Chuanmei Glauber Salt.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
 - a. Chuanmei Glauber Salt has the rights to use, transfer, lease, mortgage or otherwise dispose of the land use rights (stated in Note 2), in accordance with PRC laws;
 - b. The building ownership rights of the buildings with a total gross floor area of approximately 50,501.02 sq.m. (stated in Note 3) are legally vested in Chuanmei Glauber Salt and can be transferred, leased, mortgaged or handled by the Group; and
 - c. 3 parcels of land with a total site area of approximately 333,333.31 sq.m. (stated in Note 2) and 15 buildings with a total gross floor area of approximately 40,522.06 sq.m. (stated in Note 3) are subject to a mortgage in favor of Chengdu Economic Technical Development Zone Sub-branch, Agricultural Bank of China for bank loans.

VALUATION CERTIFICATE

Group II — Property interest held for future development by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2009 RMB
9.	3 parcels of land located at Tiangong Village Wuyang Town Pengshan County Meishan City Sichuan Province The PRC	<p>The property comprises 3 parcels of land with a total site area of approximately 67,362 sq.m.</p> <p>As advised by the Group, the development of the property is scheduled to commence in 2010.</p> <p>The land use rights of the property have been granted with the expiry dates on November 21, 2048 and December 19, 2048 for storage and industrial uses respectively.</p>	<p>The property is currently vacant.</p>	<p>6,197,000</p> <p>100% interest attributable to the Group: RMB6,197,000</p>

Notes:

1. Pursuant to a Mining Resources and Co-operation Agreement dated September 10, 2007 entered into between Sichuan Chuanmei Special Glauber Salt Co., Ltd. (“Chuanmei Glauber Salt”), a wholly-owned subsidiary of the Company, as the purchaser and Sichuan Muma Mirabilite Mining Co., Ltd. (“Muma Mining”), an independent third party, as the seller, Chuanmei Glauber Salt purchased from Muma Mining the mining rights in respect of the Muma Mining Area (including the land use rights of 3 parcels of land with a total site area of approximately 67,362 sq.m.) at a consideration of RMB240,000,000.
2. Pursuant to 3 State-owned Land Use Rights Certificates — Peng Guo Yong (2008) Di Nos. 02632 to 02634 dated December 29, 2008 issued by the Land Resources Bureau of Pengshan County, the land use rights of 3 parcels of land with a total site area of approximately 67,362 sq.m. have been granted to Chuanmei Glauber Salt with the expiry dates on November 21, 2048 and December 19, 2048 for storage and industrial uses respectively.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - a. Chuanmei Glauber Salt has the rights to use, transfer, lease, mortgage or otherwise dispose of the property in accordance with the PRC Laws; and
 - b. The property with a total site area of approximately 67,362 sq.m. (stated in Note 2) is subject to a mortgage in favor of Chengdu Evergrowing Bank for bank loans with the expiry date on January 4, 2011.

VALUATION CERTIFICATE

GROUP III — Property interests rented and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2009 RMB
10.	A parcel of land various buildings and structures located at Tianle Village Dongpo District Meishan City Sichuan Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 300,001.5 sq.m. on which 6 buildings and various structures completed in various stages between 1994 and 1996 are erected.</p> <p>The buildings have a total gross floor area of approximately 684 sq.m.</p> <p>The buildings comprise 4 industrial buildings and 2 ancillary buildings.</p> <p>The structures mainly include a boundary fence and roads, etc.</p> <p>The land of the property is a parcel of collectively-owned land which was rented by Sichuan Chuanmei Mirabilite Co., Ltd. for a term of 50 years with the expiry date on May 9, 2044 at a total consideration of RMB1,050,000 (Please refer to Note 1).</p>	The property is currently occupied by the Group for production and ancillary purposes.	No commercial value

Notes:

1. Pursuant to a Infertile Mountainous Region Co-operation Development Agreement (合作開發貧瘠山地協議) entered into between Sichuan Chuanmei Mirabilite Co., Ltd. (“Chuanmei Mirabilite”), a 90% interest owned subsidiary of the Company, and the People’s Government of Wansheng Town, Meishan City, Sichuan Province dated May 10, 1994, a parcel of land with a site area of approximately 450 Mu (approximately 300,001.05 sq.m., 1 Mu = 666.67 sq.m.) was leased to Chuanmei Mirabilite for a term of 50 years with the expiry date on May 9, 2044 at a total consideration of RMB1,050,000.
2. As advised by the Group, the buildings and structures erected on the land were constructed by Chuanmei Mirabilite.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. Chuanmei Mirabilite can legally use the portion of the collectively-owned land surrounding the mine entrance with a site area of approximately 388.85 sq.m. which is used as access and for

construction of mining equipment. For the remaining portion of the collectively-owned land, the land use rights shall be obtained by way of land grant, otherwise, there exists the risk that the land will be re-entry and the buildings/facilities erected thereon may subject to be demolished or confiscated within a specified time limit. However, there is low risk that the land use rights of the land would forcibly be ceased; and

- b. Portion of the buildings with a total gross floor area of approximately 388.85 sq.m. which is erected on the land connected closely with the primary access tunnel into the Dahongshan Mine will not be demolished, there will be no effect on the Group's production if the remaining buildings are demolished. There is low risk that the Group will be fined due to not fulfilling the procedure of completion acceptance for the buildings with a total gross floor area of approximately 684 sq.m.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2009 RMB
11.	A parcel of land, various buildings and structures located at Weixing Village Dongpo District Meishan City Sichuan Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 200,001 sq.m. on which 9 buildings and various structures completed in 2007 are erected.</p> <p>The buildings have a total gross floor area of approximately 4,215.85 sq.m.</p> <p>The buildings comprise 6 industrial buildings and 3 ancillary buildings.</p> <p>The structures comprise a boundary fence and roads, etc.</p> <p>The land of the property is a parcel of collectively-owned land which was rented by Sichuan Chuanmei Mirabilite Co., Ltd. for a term with the expiry date on April 26, 2057 at an annual consideration of RMB240,000 (Please refer to Note 1).</p>	The property is currently occupied by the Group for production purpose.	No commercial value

Notes:

1. Pursuant to a Infertile Mountainous Region Co-operation Development Agreement (合作開發貧瘠山地協議) entered into between Sichuan Chuanmei Mirabilite Co., Ltd. (“Chuanmei Mirabilite”), a 90% interest owned subsidiary of the Company, and the People’s Government of Dongpo District, Meishan City, Sichuan Province dated April 25, 2007, a parcel of land with a site area of approximately 600 Mu (approximately 400,002 sq.m., 1 Mu = 666.67 sq.m.) was leased to Chuanmei Mirabilite for a term with the expiry date on April 26, 2057 at an annual consideration of RMB240,000. As at the date of valuation, a portion of the land parcel with a site area of 300 Mu (approximately 200,001 sq.m., 1 Mu = 666.67 sq.m.) has been provided and occupied by the Group.
2. As advised by the Group, the buildings and structures erected on the land were constructed by Chuanmei Mirabilite.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. Chuanmei Mirabilite can legally use the portion of the collectively-owned land surrounding the mine entrance with a site area of approximately 477 sq.m. which is used as access and for construction of mining equipment. For the remaining portion of the collectively-owned land, the land use rights shall be obtained by way of land grant, otherwise, there exists the risk that

the land will be re-entry and the buildings/facilities erected thereon may subject to be demolished or confiscated within a specified time limit. However, there is low risk that the land use rights of the land would forcibly be ceased; and

- b. Portion of the buildings with a total gross floor area of approximately 477 sq.m. which is erected on the land connected closely with the primary access tunnel into the Guangji Mine will not be demolished, there will be no effect on the Group's production if the remaining buildings are demolished. There is low risk that the Group will be fined due to not fulfilling the procedure of completion acceptance for the buildings with a total gross floor area of approximately 4,215.85 sq.m.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2009 RMB
12.	Levels 2, 3 and 4 of Area A and Level 2 of Area C of Building No. 9 Fuhua Park High and New Technique Development Zone Chengdu City Sichuan Province The PRC	<p>The property comprises Levels 2, 3 and 4 of Area A and Level 2 of Area C of a 5-storey office building completed in 2003.</p> <p>The property has a total gross floor area of approximately 4,464.26 sq.m.</p> <p>The property is rented by Sichuan Chuanmei Special Glauber Salt Co., Ltd. for a term of 3 years commencing from January 1, 2008 and expiring on December 31, 2010 at an annual rent of RMB2,142,844.8.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement dated January 1, 2008 entered into between Sichuan Chuanmei Special Glauber Salt Co., Ltd. ("Chuanmei Glauber Salt"), a wholly-owned subsidiary of the Company, and Sichuan Huatuo Industry & Commerce Development Co., Ltd. ("Sichuan Huatuo"), the property with a total gross floor area of approximately 4,464.26 sq.m. is leased to Chuanmei Glauber Salt for a term of 3 years commencing from January 1, 2008 and expiring on December 31, 2010 at an annual rent of RMB2,142,844.8.
2. We have been provided with a legal opinion on the legality of the Tenancy Agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. Sichuan Huatuo has the right to lease the property; and
 - b. The Tenancy Agreement has not been duly registered with the relevant local authorities but it will not affect the binding force of the Tenancy Agreement.

VALUATION CERTIFICATE

Group IV – Property interest rented and occupied by the Group in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at March 31, 2009 <i>RMB</i>
13.	Suites 2801-2803 on 28/F Shui On Centre Nos. 6-8 Harbour Road Wanchai Hong Kong	<p>The property comprises 3 units on the 28th floor of a 35-storey office/ commercial building (excluding 3-storey basement) completed in about 1987.</p> <p>The property has a total gross floor area of approximately 270.90 sq.m.</p> <p>The property is leased to Top Promise Resources Limited, for a term of 2 years expiring on February 24, 2011 at a monthly rent of HK\$122,472, exclusive of rates, management fee and outgoing charges.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. The registered owner of the property is AP Success Limited (the “Landlord”).
2. Pursuant to a Tenancy Agreement dated March 11, 2009, the property is leased to Top Promise Resources Limited (“Top Promise”) from Hang Lung Real Estate Agency Limited, agent for the Landlord (an independent third party), for a term of 2 years expiring on February 24, 2011 at a monthly rent of HK\$122,472, exclusive of rates, management fee and outgoing charges.
3. Pursuant to a Guarantee and Indemnity dated March 11, 2009, the Landlord has no objection to Top Promise allowing the Company to hold, use and occupy the property as a licensee and to enjoy all rights and privileges granted to Top Promise under the Tenancy Agreement as stated in Note 2 above.
4. Pursuant to a Licence dated May 25, 2009, the property is licensed to the Company from Top Promise for a term of 2 years expiring on February 24, 2011 at a monthly licence fee of HK\$1, exclusive of rates, management fee and outgoing charges.
5. Top Promise Resources Limited is an indirect wholly-owned subsidiary of the Company.



John T. Boyd Company
Mining and Geological Consultants

Chairman

James W. Boyd

June 4, 2009

File: 3259.2

President and CEO

John T. Boyd II

Managing Director and COO

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The Directors

Lumena Resources Corp.

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Wanchai

Hong Kong

Subject: Independent Technical Review
Dahongshan, Guangji, and Muma Sodium
Sulfate Mining and Plant Operations
Sichuan Province, The People's Republic of China

Managing Director — Australia

Ian L. Alexander

Dear Sirs:

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John T. Boyd Company (BOYD) was engaged in January 2008 by Lumena Resources Corp. (Lumena) to provide independent technical consultancy services relating to the review of Mirabilite mines and processing plants located in Sichuan Province, The People's Republic of China (PRC), and of the following:

- Sichuan Chuanmei Mirabilite Co., Ltd. (Chuanmei Mirabilite).
 - Dahongshan Mine and processing operation.
- Sichuan Chuanmei Special Glauber Salt Co., Ltd. (Chuanmei Glauber Salt).
 - Guangji Mine and processing operation.
 - Muma Mine and the proposed processing operation.

Dahongshan and Guangji mines and processing operations are located 20 km northwest of Meishan City; Muma Mine and the proposed processing operation are located 11 km northeast of Pengshan County in Sichuan Province, (PRC).

We have provided independent technical consultancy services for a review of the operating Mirabilite mines and plants of Chuanmei Mirabilite and Chuanmei Glauber Salt. The results of our review are discussed in the appended Independent Technical Review (ITR) report.

Lumena is an indirect shareholder in Chuanmei Mirabilite and Chuanmei Glauber Salt, and has established itself as a leader in the sodium sulfate (Thenardite) industry. Lumena applies proven solution mining production techniques with advanced processing technology to produce a high purity, medical

and pharmaceutical grade Thenardite with high crystalline strength, stability, and granules of uniform sizes. Lumena employs an operating structure based on vertical integration. The company owns, designs, and operates its mines and processing facilities. Lumena has assembled an experienced and capable management team and a highly skilled and competent research and development group.

BOYD has prepared the ITR report in accordance with the requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (Listing Rules), save and except for Rule 18.09(8) of the Listing Rules. Lumena has represented that it is not an exploration company and we are not aware that it has conducted any exploration programs. All drilling and assay work was completed by third-party exploration teams, and to BOYD's knowledge, Lumena has not been involved in exploration activities to a material degree. Exploration activities on Lumena's resource holdings have been conducted in the past by independent geologic exploration teams. We are not aware of any past or future exploration plans for any of the subject mines on the part of Lumena. It is our understanding that Lumena's business activities are limited to mining and processing of sodium sulfate.

BOYD was provided the resource tonnage estimates for the subject mines prepared using Chinese Standards (Specifications for Geological Exploration of Salt-Lake and Salt Minerals, DZ/T0212-2002 issued by the Ministry of Land and Resources of the PRC) and are based on estimates of in-place Glauberite (ore) and equivalent Thenardite (Na_2SO_4) product. BOYD conducted an extensive review of the Mirabilite resources on the subject mining and exploration right areas and prepared resource estimates for Lumena using the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves also known as the JORC Code as published by Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia. Resource and reserve definitions stated in the JORC Code are contained in the Glossary and Definitions section of the ITR report. Our independent resource and reserve estimates were developed from site visits, exploration and geologic reports, and exploration data.

In preparing the ITR report, we have relied on reserve, operating, and other data provided by Lumena and discussions and observations completed during the BOYD project team's visits to the respective operations.

A four-member BOYD team visited the underground facilities and operations of Dahongshan, Guangji, and Muma mines on January 24–27, 2008. A BOYD representative visited the underground facilities and operations of Guangji Mine on March 3, 2008. During such visits, BOYD senior technical specialists met with Lumena technical personnel who presented the geology and resources for the mine plan area and proposed expansion areas. Lumena provided BOYD with copies of the data presented in these meetings and follow-up data as requested. During the mine and plant site visits, detailed discussions were conducted with mine managers and personnel concerning ore resources, mining practices, and future mine and processing plans. Lumena subsequently provided future mine plan maps for Dahongshan, Guangji, and Muma. Three BOYD representatives

subsequently visited Dahongshan and Guangji operations on June 4–7, 2008. We were also provided with output and capital spending projections for 2009 and 2010.

BOYD is a privately owned consultancy firm with headquarters in the United States. We are internationally recognized for our expertise in exploration, resource/reserve studies, mine development, and valuation. This ITR report was prepared by a project team with extensive professional experience in mineral resource and mine evaluations. The key professionals for this project are listed in the Summary section of this ITR report.

BOYD has no ownership or shareholding interest in the Dahongshan, Guangji, and/or Muma operations; Lumena; Chuanmei Mirabilite; Chuanmei Glauber Salt; or any related assets. There have been no transactions between BOYD and its employees either in the past or presently and Lumena, Chuanmei Mirabilite, Chuanmei Glauber Salt, or any related assets. BOYD does not have any claims outstanding with Lumena, Chuanmei Mirabilite, Chuanmei Glauber Salt, or any related assets. Payment for our services is not contingent upon our opinions regarding the merits of the project or approval of our work by Lumena or the outcome of the Global Offering. BOYD has completed its work in accordance with US and international ethical standards for professional engineering.

Drafts of this report were provided to Lumena and its advisors for the purpose of confirming the accuracy of the information in the document and presenting the conclusions developed from the project data.

We have exercised reasonable care in reviewing the information provided, but assumed all historic data have been accurately reported and all forward projections are prepared and/or approved by competent professionals and Lumena management. We have no reason to believe that any material facts have been withheld or that a more detailed analysis may reveal additional material information. Our ITR report has been completed in accordance with generally accepted standards and practices employed in the international mining industry. Although we have compared key information provided by Lumena with expected values, the accuracy of the results and conclusions of this ITR report are reliant on the accuracy of the information provided. We are not responsible for any material errors or omissions in the information provided.

The findings and conclusions presented in this ITR report represent the independent professional opinion of BOYD based on our review of available project information. We have made no attempt to verify the technical and geological information presented in the reference material documents. We assume the provided data has been prepared by competent engineers and geologists, although we have conducted our own limited due diligence in checking for consistency and reasonableness. Our expertise is in technical and financial mining issues, and we are not qualified to offer, nor do we represent that any of our findings include, matters of a legal or accounting nature. Aspects of Lumena's activities relating to legal issues and matters relating to commercial, enterprise accounting, surface land usage, and appraisal are expressly omitted, except to the extent of technical, operational, or cost aspects of the subject operations. BOYD's independent analyses of the available data have been developed in a manner

consistent with industry standards and engineering practices. We believe our conclusions are reasonable assessments of the information provided.

The ability of Lumena, or any mine operator, to achieve the projections contained in this ITR report is dependent on numerous factors that are beyond the control of, and cannot be anticipated by, BOYD. These factors include mining and geologic conditions, the capabilities of management and employees, the securing of required approvals and permits in a timely manner, etc. Unforeseen changes in regulations could also impact performance. We believe all findings and conclusions to be reasonable but we do not warrant this report in any manner, express or implied.

This report only addresses technical (e.g., reserve, mining, etc.) issues. BOYD's review is limited to mines and processing plants and does not consider corporate or other downstream costs.

Respectfully submitted,

JOHN T. BOYD COMPANY

By:

John T. Boyd II
President and CEO

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GLOSSARY AND DEFINITIONS

Alluvium	Sediments that were deposited by a river or other moving water.
Anhydrous Sodium Sulfate	The water-free product produced from naturally sodium-sulfate-bearing brines and crystalline evaporate deposits.
Anticline	A fold in the earth's strata that is convex upwards.
Argillaceous	Rocks that contain a significant portion of clay materials.
Baumé Gravity	Designating or confirming to either of the scales used by the French chemist, Antoine Baumé (1728-1804). One scale, which is used with liquids heavier than water, sinks to 0° (B or Bé, for Baumé) in pure water and to 15° (B or Bé) in a 15% salt solution. The other scale for liquids lighter than water sinks to 0° (B or Bé) in a 10% salt solution and to 10° (B or Bé) in pure water.
Bord-and-Pillar	Method of underground mine extraction characterized by ore removal around non-mined pillars. Also known as room-and-pillar.
BOYD	John T. Boyd Company.
Cell or Block	A defined area of Glauberite ore bordered by roadways, usually rectangular in configuration, in which a series of roadways and crosscuts are developed; the remaining pillars and roof strata are drilled and blasted, with the resulting bulk blasted area subject to water inundation and recovery of Mirabilite.
Centrifuge	A device that uses centripetal acceleration to separate substances of different densities.
Chinese Standard	Specifications for Geological Exploration of Salt – Lake and Salt Minerals, DZ/T0212-2002, issued by the Ministry of Land and Resources of the PRC.
Chuanmei Glauber Salt	Sichuan Chuanmei Special Glauber Salt Co., Ltd.
Chuanmei Mirabilite	Sichuan Chuanmei Mirabilite Co., Ltd.
Cyclone	A device used to sort particles of the same density by size using centrifugal forces.
Desiccation	The removal of water by exposure to a chemical that attracts water molecules to itself.
Dip	Angle at which strata are inclined in relation to the horizontal plane.

Evaporite	Water-soluble mineral sediments that are formed when surface water evaporates.
Face	Mine location where active ore extraction is taking place.
Feasibility Study	By international standards, assesses in detail the technical soundness and economic viability of an undeveloped mining project and serves as the basis for the investment decision and as a bankable document for project financing. The study is based on a detailed mine plan and constitutes an audit of all geological, engineering, environmental, legal, and economic information accumulated on the project. Generally, a separate environmental impact study is required.
Fm	Formation.
FSR	Feasibility Study Report.
GB/T 28001-2001 Occupational Safety and Health Management System	GB/T 28001-2001 is a set of standards adopted by the SAC for occupational safety and health management.
Glauberite	$\text{Na}_2\text{SO}_4 \cdot \text{CaSO}_4$ — the ore in the ground. Only the Na_2SO_4 is soluble and is recovered as product. Typically the Na_2SO_4 is 35% to 40% of the ore.
Glauberite Bed	Portion of the strata that contains Glauberite ore in a distinct layer.
Indicated Mineral Resource	That part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, quality, and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling, and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings, and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or quality continuity but are spaced closely enough for continuity to be assumed.
Inferred Mineral Resource	That part of a Mineral Resource for which tonnage, quality, and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or quality continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings, and drill holes, which may be limited or of uncertain quality and reliability.
ITR	Independent Technical Review.
JORC	Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.

JORC Code	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.
kg	Kilogram.
km	Kilometer.
kV	Kilovolt.
kW	Kilowatt.
kWh	Kilowatt-hour.
Leaching	The process of extracting Na_2SO_4 from Glauberite by dissolving the solid ore in water.
Lumena	Lumena Resources Corp.
m	Meter.
m^2	Square meter.
m^3	Cubic meter.
m^3/min	Cubic meters per minute.
Marketable Reserves	Saleable Thenardite product from Recoverable Reserves after accounting for mining and processing losses.
Marketable Ore Reserves	The tonnages of ore, at specified moisture and quality, available for sale after beneficiation of Ore Reserves. Marketable Ore Reserves should be reported in terms of Probable Marketable Ore Reserves or Proved Marketable Ore Reserves.
Measured Mineral Resource	That part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, quality, and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling, and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings, and drill holes. The locations are spaced closely enough to confirm geological and quality continuity.
Medical Thenardite	The Mirabilite bulk drug used for pharmaceutical purposes, which has a minimum $\text{Na}_2\text{SO}_4 \cdot 10\text{H}_2\text{O}$ purity of 99.4% and a Na_2SO_4 purity of 99.0%.
Mine Plan	By international standards includes the current documentation of the state of development and projected exploitation of a deposit during its economic life, including current mining plans. It is generally made by the operator of the mine. The study takes into consideration the quantity and quality of the minerals extracted during the reporting time, changes in

	<p>economic viability categories due to changes in prices and costs, development of relevant technology, newly imposed environmental or other regulations, and data on exploration conducted concurrently with mining. A map of the deposit is included showing the roadway layout, production cell areas, and the projected annual sequence of extraction.</p>
Mineral Resource	<p>A concentration or occurrence of material of intrinsic economic interest in or on the earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, quality, geological characteristics, and continuity of Mineral Resource are known, estimated, or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated, and Measured categories.</p>
Mining Rights	<p>The rights to mine mineral resources and obtain mineral products in areas where mining activities are licensed.</p>
Mirabilite	<p>$\text{Na}_2\text{SO}_4 \cdot 10\text{H}_2\text{O}$ — the dissolved Na_2SO_4 that is piped out of the mine with some minor impurities.</p>
MLR	<p>Ministry of Land and Resources of the PRC.</p>
mm	<p>Millimeter.</p>
MPa	<p>Megapascal.</p>
Mt	<p>Million tonnes.</p>
Mtpa	<p>Million tonnes per annum.</p>
mtu	<p>Metric tonne unit.</p>
NaCl	<p>Sodium chloride.</p>
Na_2SO_4	<p>Sodium sulfate.</p>
Ore	<p>A naturally occurring solid material, from which metal or valuable mineral can be extracted.</p>
Ore Processing	<p>The process through which physical or chemical properties, such as density, surface reactivity, magnetism and color, are utilized to separate the useful components of ore from useless stones, and which are then concentrated or purified by means of flotation, magnetic selection, electric selection, physical selection, chemical selection, reselection, and combined methods.</p>

Ore Reserve	The economically mineable part of a Measured or Indicated Mineral Resource. It includes diluting materials and allowances for losses that may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out and include consideration of the modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social, and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore Reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proved Ore Reserves.
Outcrop	The part of the Glauberite bed exposed to the surface.
Out-of-seam	Non-Glauberite material above and below the Glauberite bed recovered during mining.
Overburden	Waste material overlying the Glauberite bed.
Partings	Rock material within the Glauberite Bed.
PDR	Preliminary Design Report.
pH	A measure of acidity or alkalinity of a solution. Aqueous solutions at 25°C with a pH less than seven are considered acidic, while those with a pH greater than seven are considered basic (alkaline).
Pillar	Column of Glauberite zone left behind for support in a bord-and-pillar mine.
PLC	Programmable logic chips — computer controlled systems.
PRC	People’s Republic of China.
Probable Ore Reserve or Probable Reserve	The economically mineable part of an Indicated and, in some circumstances, a Measured Mineral Resource. It includes diluting materials and allowances for losses that may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social, and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.
Processing Plant	Facility used to recover Thenardite product from Mirabilite, including removal of impurities and drying operations.
Productivity	Measurements of worker efficiency usually expressed in terms of tonnes per unit of time.

Proved Ore Reserve or Proved Reserve	The economically mineable part of a Measured Mineral Resource. It includes diluting materials and allowances for losses that may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social, and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.
Roadheader	A crawler-mounted electro-mechanical machine used to excavate underground passages by breaking and cutting the strata with mechanical force.
Roadway	Underground entry developed by drill and blast mining methods.
RMB	Renminbi/yuan — the lawful currency of the PRC.
ROM	Run-of-mine-the as-mined material during room-and-pillar mining operations as it leaves the mine site (mined Glauberite ore and out-of-seam dilution material).
Shotcrete	Concrete that has been pneumatically projected onto a surface at high pressures — used to stabilize loose or weak underground surfaces, including the roof, floor, and walls.
SOE	State-owned enterprise in the PRC.
Solution Mining	A method of mining where the underground ore area is divided into production cells which are flooded with water to dissolve desired materials and the resulting solution is removed from the cells by pumps.
Strike	The line representing the intersection of a stratum with the horizontal, typically expressed as the compass bearing along which the line lies.
Subcrop	Projected limit of mineral deposition where the bed outcrop is overlain by surface alluvial material (i.e., bed outcrop is obscured).
Subsidence	Lowering of the earth's surface as a result of the removal of a portion of the underlying strata.
Thenardite	Anhydrous Na ₂ SO ₄ , the dry product sold which has a minimum Na ₂ SO ₄ purity of 95% or the part of the ore that is pure Na ₂ SO ₄ .
Tonne	Metric ton equal to 1,000 kilogram.
tpa	Tonnes per annum.

tph	Tonnes-Per-Hour.
UG	Underground.
USGS	United States Geological Survey.
Yield	Saleable portion of Thenardite recovered from Mirabilite during processing.

1.0 SUMMARY

1.1 Introduction

John T. Boyd Company (BOYD) was engaged in January 2008 by Lumena Resources Corp. (Lumena) to provide independent technical consultancy services relating to the review of Mirabilite mines and processing plants located in Sichuan Province, PRC, of the following subsidiaries of Lumena:

- Chuanmei Mirabilite.
- Chuanmei Glauber Salt.

Lumena applies proven solution mining production techniques with advanced processing technology to produce a high purity, medical and pharmaceutical grade Thenardite with high crystalline strength, stability, and uniform size granules. Lumena employs an operating structure based on vertical integration. Lumena owns, builds, and operates its mines and processing facilities, and it has assembled an experienced and capable management team and a highly skilled and competent research and development group.

1.2 Summary of Operations

The scope of this review includes the Dahongshan, Guangji, and Muma areas as identified by Lumena, and located in the northwestern part of Sichuan Province. A majority of China's Thenardite output is concentrated in Sichuan and Jiangsu provinces. There are approximately 200 producers with natural Thenardite production facilities, 59 of which are considered major producers. The average output from the major producers ranges from 30,000 to 500,000 tpa per producer and the average output among small producers ranges from 150 to 200 tpa. A summary of operations included in this review is as follows:

Present Controlling Company Mining Right Area	Operating Status	Design Production Capacity (Thenardite-tpa)	
		December 2008	Planned
Chuanmei Mirabilite			
Dahongshan	Active	600,000	600,000
Chuanmei Glauber Salt			
Guangji	Active	1,000,000	1,000,000
Muma	Idle ^(a)	0	1,200,000 ^(b)
Total		1,600,000	2,800,000

(a) Former operations now idle and new operations under development.

(b) From the third quarter of 2010 onward. A 200,000 tpa medical grade Thenardite-producing facility is projected to be completed first by the end of 2009.

The Dahongshan operation is located approximately 20 km northwest of Meishan City in Sichuan Province. The Guangji operation is located approximately 12 km south-southwest of the Dahongshan area, and the Muma operation is located approximately 11 km northeast of Pengshan County, Sichuan Province.

Forward plans developed by Lumena include: (1) maintaining the Dahongshan operation at 0.6 Mtpa with the expansion of the mining area, (2) maintaining the Guangji underground mine/processing operation (1.0 Mtpa), and (3) developing the Muma operation (0.2 Mtpa by the end of 2009 and 1.2 Mtpa capacity by the third quarter of 2010). Annual Thenardite production capacity of all three operations is planned to expand to 2.8 Mtpa from the fourth quarter of 2010 onward.

Detailed information on the Authorized Mining Right Areas is:

Mining Right Area	Mining Right Certificate No.	Output Capacity (Mtpa)		Authorized Seams To be Mined	Authorized Mining Elevation (m)	Mining Method	Area (km ²)	(Month/Year)	
		Present	Authorized					Mining Right Grand Date	Expiration
Dahongshan	5100000820458	0.6	1.2	1, 2 6,7,8	+380 +175 +425 +206	UG	3.69	09/2008	09/2038
Guangji	5100000810456	1.0	2.4	1 2	+318 -87 +353 -60	UG	3.88	09/2008	09/2038
Muma	5100000820457	0	2.8	1 2 3	+302 +218 +332 +220 +340 +228	UG	3.70	09/2008	09/2038

1.3 Reserves/Resources

BOYD has prepared JORC Code compliant resource estimates for the Mining Right areas as of January 1, 2009. Our estimates of the Proved and Probable Reserves are presented as follows:

JORC Code January 1, 2009									
Thenardite (Mt)									
Ore Zone	Average Thickness (m)	In-Place Resource				Marketable Reserves			% of Reserves
		Measured	Indicated	Inferred	Total	Proved	Probable	Total	
Dahongshan Mine									
6,7,8,	6.1	13.80	2.69	—	16.49	8.28	1.62	9.90	51
1,2	5.8	11.68	4.14	—	15.82	7.01	2.49	9.50	49
Total		25.48	6.83	—	32.31	15.29	4.11	19.40	100
Guangji Mine									
2L	5.7	11.85	8.05	0.96	20.86	7.10	4.83	11.93	58
1L	4.8	8.80	5.71	0.65	15.16	5.27	3.43	8.70	42
Total		20.65	13.76	1.61	36.02	12.37	8.26	20.63	100
Muma Mine									
3	5.7	9.70	3.10	—	12.80	5.82	1.57	7.39	43
1	4.9	—	16.26	—	16.26	—	9.75	9.75	57
Total		9.70	19.36	—	29.06	5.82	11.32	17.14	100
Total									
Total		55.83	39.95	1.61	97.39	33.48	23.69	57.17	100

As shown, 4% of the total Guangji resources are in the Inferred Resource category due to the limited amount of exploration drilling. While Inferred Resources reflect a low degree of confidence of existence of the resources, based on the stability of the depositional environment, we expect that additional exploration is likely to upgrade the majority of the resources to Measured or Indicated status. Inferred tonnage cannot be included in JORC compliant estimates of Marketable Reserves shown above due to the low degree of geologic assurance of Inferred Resources. BOYD has prepared estimates of the Marketable Inferred Resources at Guangji to provide guidance as to what the marketable tonnage would be if the Inferred Resources exist as projected. These estimates were prepared using the same methodology as in adjacent Indicated areas. We estimate there are approximately 1 Mt of Inferred Marketable Resources. Additional drilling would be required to potentially upgrade the Inferred Resource tonnage to Indicated status. It is important to understand that it is not appropriate to combine Inferred Resources with any Reserve estimates, as there is no direct connection between Inferred Mineral Resources and any category of Ore Reserves in the JORC Code.

There are significant additional undeveloped Glauberite resources at the mine sites. At Dahongshan and Guangji, potentially mineable upper ore zones overlie the zones but are not included in our resource estimates since they are not included in the mining rights. There are also additional undeveloped resources adjacent to all mining right areas.

BOYD recommends some additional exploratory drilling be completed on the Guangji (two drill core holes) and Muma (two drill core holes) areas.

1.3.1 Mine Service Life

Mine service life estimates are as follows:

Mine Area	Marketable Reserves	Mine Life (Years)
	Thenardite (Mt)	
Dahongshan	19.40	32
Guangji	20.63	21
Muma	17.14	14

There are significant undeveloped Glauberite resources adjacent to the mining right areas. If Lumena is successful in obtaining the mining rights to these adjacent areas, then the mine service lives could be extended.

1.4 Present Dahongshan Operation

The Dahongshan operation is fully developed and has an existing capacity of 0.6 Mtpa of Thenardite product (mining/processing). Underground operation mining and Mirabilite solution recovery, and processing used by Chuanmei Mirabilite are effective and consistent with industry practices. The operation has a good safety record and is in compliance with environmental protection guidelines of the PRC. Although mining rights to the other (beyond Nos. 1 and 2 beds) Glauberite underlying the original mining right area and to all beds underlying the adjacent Dahongshan Expansion Area has been granted, the operation's capacity is planned to be maintained at 0.6 Mtpa. It is BOYD's opinion that Dahongshan, based on its successful operating history, has no foreseeable obstacles to maintain the current production level.

1.5 Present Guangji Operation

Guangji area is located 12 km south-southwest of Dahongshan, and the construction of the 1.0 Mtpa processing plant and other surface facilities were completed in 2007. As of December 2008, Guangji had achieved the 1.0 Mtpa Thenardite output capacity. Chuanmei Glauber Salt plans to maintain the Guangji Thenardite operation at 1.0 Mtpa capacity. A dual-circuit power supply system was installed in April 2008. Construction of the three inclines was finished in June 2007. Roadheaders are used in the development of main roadways and part of the air-return incline.

1.6 Present Muma Operation

Chuanmei Glauber Salt acquired Muma mining and processing operations in September 2007. Muma had the authorized producing level at 0.3 Mtpa before the acquisition. Chuanmei Glauber Salt expanded the No. 3 Glauberite Bed mining right area by adding the Nos. 1 and 2 Glauberite beds.

The original Muma mine had a limited mining right area of 0.3898 km². Chuanmei Glauber Salt demolished the old processing facilities completely after acquisition and plans to complete the construction of a new plant with a processing capacity of 0.2 Mtpa by the end of 2009 and 1.2 Mtpa of Thenardite products by the fourth quarter of 2010. The new mining right certificate covering 3.6971 km² was issued in September 2008.

Similar mining practices as used in Dahongshan are employed by Muma. The original two inclines accessing the existing underground workings will be kept, but relegated to ventilation and service duties, with a new main incline constructed. Expansion of the operation to 1.2 Mtpa will require some infrastructure upgrades and construction of new processing facilities. BOYD observed during our visit to the site in June 2008, demolition work was completed and preparation for new plant construction was under way. Based on Lumena's recent experience at Guangji, BOYD opines the RMB406 million for the 0.2 Mtpa facilities and RMB646 million for the 1.0 Mtpa facilities' capital budget and construction schedule for Muma Mine and processing plant are reasonable, on the assumption that the construction of the 1.0 Mtpa facilities commences in early 2010.

1.7 Processing Technology

Processing technology is one of the principal strengths, which provides Lumena a competitive advantage. Chuanmei Mirabilite and Chuanmei Glauber Salt do not manufacture the individual process equipment and control circuitry utilized in the facilities, but integrate the equipment supplied by several manufacturers into its own proprietary system that enables production of anhydrous sodium sulfate. The technology was primarily developed internally, led by the research and development group of Lumena, headed by Mr. Li Chunxian. Mr. Li has focused his 40-plus years of experience in solution mining and Mirabilite processing on raising the standards of purity and improving crystalline structure and process control. Significant research and development has occurred in these areas over the past 10 to 15 years. The technology focuses on the application of Thenardite production, energy efficiencies, pre-treatment, recirculation, extraction, and refinement.

The significant differences between the technologically advanced process used at Guangji plant and more conventional processes are:

- The research and development efforts advanced by Lumena have been applied in the process to improve the purity, size, and stability of the granule crystalline structure. The ability to control the physical and chemical properties of Thenardite is essential for commercial production of specialty Thenardite.
- Higher energy efficiencies have been achieved by the technological rationalizations and process control circuitry implemented by Lumena.
- Mirabilite processing, as is typical with most extractive and distillation technologies, requires significant amounts of energy to recover the target product. The Lumena process at Guangji consumes approximately 33% less energy per tonne of anhydrous sodium sulfate produced than more conventional processes.
- Energy efficient and corrosive resistant materials such as titanium and stainless steel have been incorporated into process equipment design, which provide for lower operating cost and longer asset life.
- Lumena is environmentally conscious and has developed their process without having any effluent discharge to the ground water system.

1.8 Two-Year Output Plan

Lumena's internally prepared two-year output plan reflects robust growth in total Thenardite production and sales. The focus on lowering costs through enhanced processing technology (Guangji and Muma) and economies of scale are key drivers to Lumena's expanded output projections.

Lumena's Thenardite sales by product are as follows:

Thenardite Product	Location	Product Tonnage (tonnes-000)		
		Actual 2008	Projected	
			2009	2010
Powder	Dahongshan	478	500	550
	Guangji	—	—	—
	Muma	—	—	200
	Subtotal	478	500	750
Specialty	Dahongshan	—	—	—
	Guangji	927	1,000	1,000
	Muma	—	—	300
	Subtotal	927	1,000	1,300
Medical Grade	Dahongshan	99	100	50
	Guangji	—	—	—
	Muma	—	—	200
	Subtotal	99	100	250
Total — Lumena		1,504	1,600	2,300

1.8.1 Thenardite Production

As shown in the following table, the projected growth of Lumena from 0.69 Mt in 2007 to 2.3 Mt in 2010 is based on:

- Maintaining Dahongshan's production at 0.6 Mtpa.
- Maintaining Guiangji's production at 1.0 Mtpa.
- Developing Muma operations to 1.2 Mtpa capacity in 2010 (rehabilitation and expansion of the existing underground mine and construction of the new processing plant and surface facilities planned in 2009 and 2010).

Lumena's performance in developing Guangji provides confidence that it can achieve its production forecast. Projected Thenardite production (Mt) is as follows:

Mine	Thenardite Production (Mt)			
	Actual		Projected	
	2007	2008	2009	2010
Dahongshan	0.61	0.58	0.60	0.60
Guangji	0.09	0.93	1.00	1.00
Muma	—	—	—	0.70
Total	0.7	1.51	1.60	2.30

1.8.2 Capital Spending

The Lumena 2-Year Output Plan includes RMB406 million in capital spending to develop a 0.2 Mtpa medical Thenardite production facility at Muma in 2009 and RMB646 million capital spending to develop an additional 1.0 Mtpa production facility at Muma in 2010. BOYD concludes the combined RMB1,052 million capital budget is reasonable.

1.9 Conclusion

It is BOYD's opinion that there is substantial potential to significantly increase Lumena's currently planned production levels via further acquisitions and new operations development. Lumena has the established experience to become a dominant sodium sulfate producer.

1.10 Scope of Work

Based on source data provided by Lumena and mine site observations and discussions, our scope of work for completing an independent technical review included an assessment of:

- Thenardite resources and reserves as of January 1, 2009 according to the JORC Code. It should be noted that to be designated as a reserve, the estimated tonnage must be technically, legally, and economically mineable as of the date of the estimate.
- Mining and processing operating, including:
 - Current mining practices and technology.
 - Current employment levels.
 - Historical capital investment and operating costs.
 - Existing mine infrastructure.
 - Current status of compliance with environmental regulations/standards.
- Future two-year mine output plans, as prepared by or for Lumena, and reasonableness of reported mine plans regarding:
 - Consistency of mining plan and forecasts based on reserve estimate.
 - Output assumptions.
 - Projected capital costs.
 - Proposed mine infrastructure.

1.11 Work Program

A four-member BOYD team (Messrs. Anderson, Han, Li, and Rohanna) visited the underground facilities and operations of Dahongshan, Guangji and Muma mines on January 24-27, 2008. A BOYD representative (Mr. Zhao) visited the underground facilities and operations of Guangji Mine on March 3, 2008. During such visits, BOYD senior technical specialists met with Lumena technical personnel, who presented the geology and resources for the mine plan area and proposed expansion areas. Lumena provided BOYD with copies of the data presented in these meetings and follow-up data as requested. In addition, BOYD geologists and engineers visited the Dahongshan and Guangji Mines and processing plants. In addition, the Muma mine and the proposed processing plant location were visited. During the mine and plant site visits detailed discussions were conducted with mine managers and personnel concerning salt resources, mining practices, and future mine and processing plans. Messrs. Zhong, Li, and Zhao subsequently visited the Dahongshan and Guangji facilities on June 4-7, 2008.

BOYD addressed the specified scope of work using source data as provided by Lumena. Available reserve (resource) tonnage estimates for the various properties are prepared using Chinese Standards

(Specifications for Geological Exploration of Salt-Lake and Salt Minerals, DZ/T0212-2002 issued by the Ministry of Land and Resources of the PRC) and are based on estimates of in-place Glauberite (ore) and equivalent Thenardite (Na_2SO_4) product. The available resource estimates were re-estimated by BOYD using the JORC standards.

We were also provided with output and capital spending projections for 2009 and 2010.

1.12 Project Team

The BOYD project team has extensive professional experience in mineral resource and mine evaluations. Key professionals for this project include:

Mr. Ronald L. Lewis — Chief Operating Officer and Managing Director, BS (Civil Engineering)

Mr. Lewis has 38 years of experience in assessment and evaluation of coal mining companies, with specialized expertise in the areas of coal/mineral reserve estimation, opencut and underground mine analysis, and economic assessment of mining operations. He is a Registered Professional Mining Engineer and a recognized expert in mining property valuation. Mr. Lewis is a Registered Member of the Society for Mining, Metallurgy, and Exploration, Inc., and is qualified as a Competent Person as defined in the JORC Code.

Mr. David L. Rohanna — Managing Director — EurAsia, BS (Economics/Geology), MS (Mining Engineering)

Mr. Rohanna has over 36 years of experience at the executive/senior manager level in the mining and materials handling industries with a broad and extensive background in engineering and project management with specialized worldwide expertise in coal and mineral preparation, ports, and bulk materials handling and transportation. Mr. Rohanna is a member of the Society for Mining, Metallurgy, and Exploration, Inc., the American Iron and Steel Engineering Society and the Cranes Manufacture's Association (CMA) Mechanical and Electrical Sub-Committees. Effective October 31, 2008, Mr. Rohanna left the employment of John T. Boyd Company.

Mr. Paul Anderson — Director of Geological Services, BS (Geology)

Mr. Anderson is a Certified Professional Geologist (AIPG) with 31 years of professional experience in exploration, evaluation, and development of coal and mineral deposits. Mr. Anderson is a Registered Member of the Society for Mining, Metallurgy, and Exploration, Inc., and a member of the American Institute of Professional Geologists, and is qualified as a Competent Person as defined in the JORC Code.

Mr. Jisheng Han — Mining Engineer, BS/MS (Mining Engineering)

Mr. Han has 12 years of mining industry experience in both China and the United States.

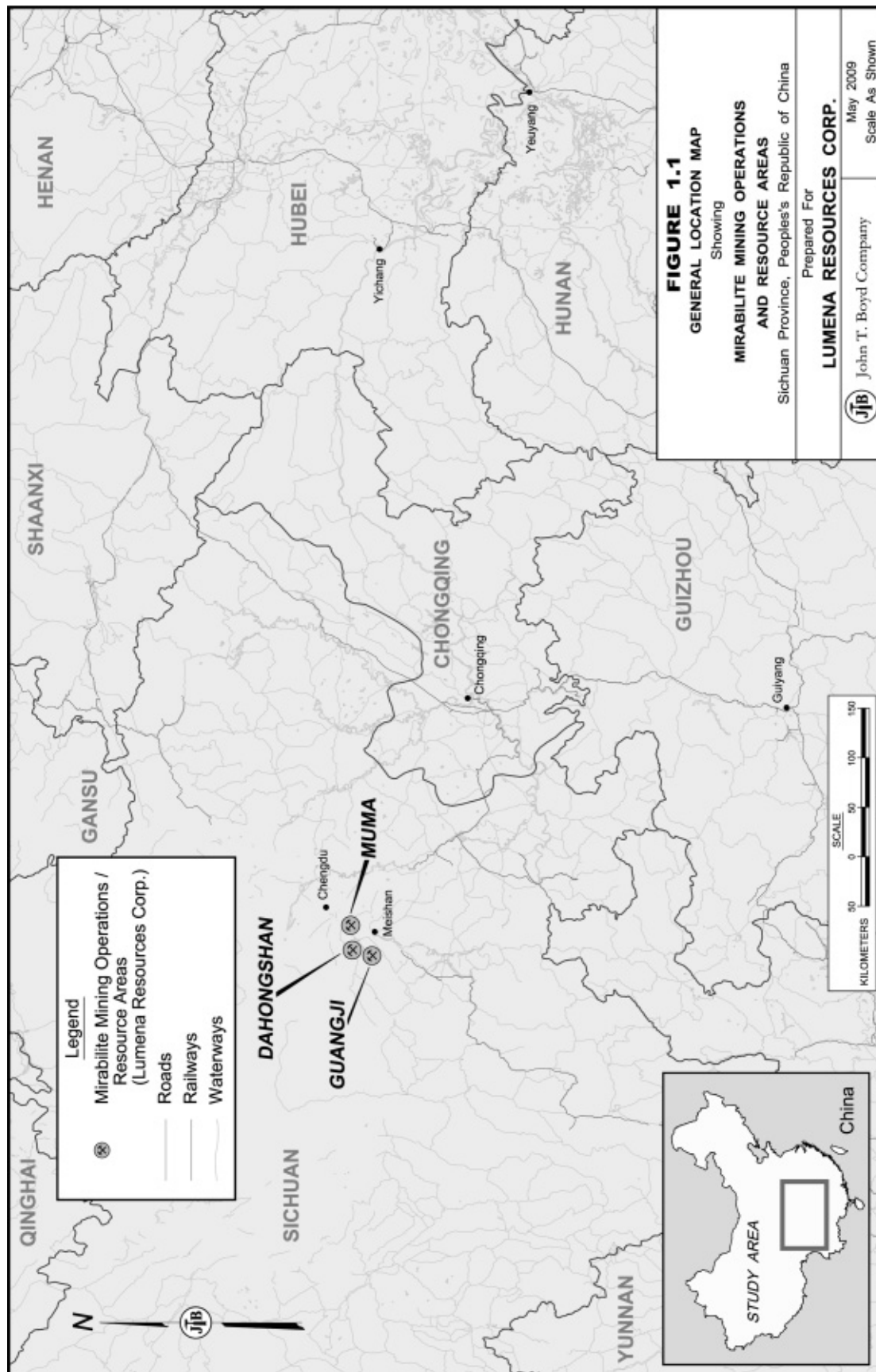
Mr. Li Rongjie — Geologist — China, M.E. (Geochemistry), B.E. (Geology)

Mr. Li has over one year of consulting experience in China.

Mr. Zhao Liang — Mining Engineer BS (Coal Mine Technology)

Mr. Zhao has 9 years of mining industry experience with a broad base of knowledge of coal mine design and feasibility gained at the Beijing Huayu Engineering Co. Ltd.

Following this page is Figure 1.1, General Location Map.



2.0 GEOLOGY AND RESOURCES

2.1 Site Characteristics

As shown on Figure 1.1, the Dahongshan, Guangji, and Muma areas are located in the northwest part of Sichuan Province within the Chuanxi Mirabilite Field. While farming is the primary land use, the Mirabilite/Thenardite chemical industry accounts for the largest contribution to the local economy. Climate of the region is subtropical. With an average of 990 mm of rainfall annually, the rainy season occurs between June–August, when 63% of the total annual rainfall is received. Temperatures range from 3.7° C to 39.6° C and average 16° C.

Within the Dahongshan area, the topography is hilly, with three rivers crossing the region. Terrain within the Guangji mining right area ranges from hilly to the northwest to a gently sloping plain to the southeast. The Muma area is hilly.

Alluvial deposition occurs within the river valley areas within the Dahongshan area and overlies the bedrock throughout the Guangji and Muma areas. The presence of alluvium is significant because it is water-bearing and complicates the construction of inclines and/or shafts needed to access the underlying Glauberite beds. Also since the Glauberite beds are partly soluble, the beds are partially dissolved when exposed to ground water. Therefore, where the overburden depth is below (less than) 50 m, the beds are normally collapsed and also contain a considerable amount of water that complicates incline and shaft construction. These complications can result in short-term (several days) disruptions of operations. These water-bearing strata (overburden depths of less than 50 m) must also be avoided when mining the beds to avoid unstable roof and wet mining conditions.

2.2 Property Control

BOYD has prepared estimates of mineral resources for the areas and ore zones listed below:

<u>Mining Right Area</u>	<u>Area km²</u>	<u>Ore Zone(s)</u>
Dahongshan Mine	3.69	1,2 – 6,7,8
Guangji Mine	3.88	1 – 2
Muma Mine	3.70	1 – 3

Detailed information on the Authorized Mining Right Areas is:

<u>Mining Right Area</u>	<u>Mining Right Certificate No.</u>	<u>Output Capacity (Mtpa)</u>		<u>Authorized Seams To be Mined</u>	<u>Authorized Mining Elevation (m)</u>	<u>Mining Method</u>	<u>Area (km²)</u>	<u>(Month/Year)</u>	
		<u>Present</u>	<u>Authorized</u>					<u>Mining Right Grand Date</u>	<u>Expiration</u>
Dahongshan	5100000820458	0.6	1.2	1, 2 6, 7, 8	+380 +175 +425 +206	UG	3.69	09/2008	09/2038
Guangji	5100000810456	1.0	2.4	1 2	+318 -87 +353 -60	UG	3.88	09/2008	09/2038
Muma	5100000820457	0	2.8	1 2 3	+302 +218 +332 +220 +340 +228	UG	3.70	09/2008	09/2038

As shown, Lumena was granted the Mining Rights for the areas until 2038.

The Chinese Standard (Specifications for Geological Exploration of Salt–Lake and Salt Minerals, DZ/T0212-2002, issued by the Ministry of Land and Resources of the PRC) for mineral resource reporting includes all ore beds greater than 0.5 m and greater than 14% Na₂SO₄ content. There have been estimates prepared for the respective areas using the Chinese Standard methodology. These Chinese standard values are

intended to provide an inventory of in situ ore occurrence but do not, and are not intended to, consider current mining economics, extraction recoveries, mining barriers, and losses due to geologic considerations. Since these estimates represent an in-place inventory and not the recoverable saleable product, the Chinese standard estimate values are significantly larger than estimates of Marketable Reserves and Resources presented in this report, which include all mining and processing considerations and are prepared in compliance with the JORC Code.

BOYD has prepared the ITR report in accordance with the requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (Listing Rules), save and except Rule 18.09(8) of the Listing Rules. Lumena has represented that it is not an exploration company and we are not aware that it has conducted any exploration programs. All drilling and assay work was completed by third-party exploration teams, and to BOYD's knowledge, Lumena has not been involved in exploration activities to a material degree. Exploration activities on Lumena's resource holdings have been conducted in the past by independent geologic teams. We are not aware of any past or future exploration plans for any of the subject mines on the part of Lumena. It is our understanding that Lumena's business activities are limited to mining and processing of sodium sulfate.

2.3 Geology

Areas of salt occurrence for the mining areas evaluated in this report are located in the Upper Cretaceous-age Guankou Formation and primarily consist of the mineral Glauberite ($\text{Na}_2\text{SO}_4 \cdot \text{CaSO}_4$). Typical composition of this ore is:

<u>Chemical Constituent</u>	<u>Weight (%)</u>
Na_2SO_4	37
CaSO_4	37
MgSO_4	<1
NaCl	<1
Other Insolubles	25

There are three mineral names that are applied to the in situ ore, the dissolved ore, and the final dry product after processing, as follows:

1. Glauberite — $\text{Na}_2\text{SO}_4 \cdot \text{CaSO}_4$ — This is the in situ ore. The Na_2SO_4 is the soluble part of the ore that is recovered as product. Typically the Na_2SO_4 is 35% to 40% of the ore.
2. Mirabilite — $\text{Na}_2\text{SO}_4 \cdot 10\text{H}_2\text{O}$ — This is the dissolved Na_2SO_4 portion of the ore (with minor impurities) recovered primarily from the underground solution mine cells and from surface leaching of ore removed during mine development.
3. Thenardite — Na_2SO_4 — This is the dry (anhydrous) product produced from the processing plant after impurities and water are removed (98% plus pure).

Since solution recovery is the primary method to recover Mirabilite from the underground mine, it is important to note that of the constituents of Glauberite, only a trace amount of CaSO_4 , the minor amount of NaCl , and the Na_2SO_4 , which is the marketable product, are readily soluble in water. Since Na_2SO_4 forms the majority of the soluble part of ore, it is possible to extract relatively pure Thenardite product (plus 95%) from the ore without extensive processing to remove impurities.

The Glauberite deposits were formed by the evaporation of large fresh water lakes. The deposition of thick beds of evaporite salts occurs slowly and requires a stable depositional environment. The exploration data in the area shows a very stable environment, and individual beds can be correlated for over 40 km. The salt beds

occur in distinct zones separated by mudstone partings that represent the influx of mud into the lake during flooding events. The deposition of the mudstone intervals is also uniform and can be correlated over large distances.

The Glauberite deposition was cyclical, with zones of ore deposited within a 250 m vertical interval separated by mudstone and siltstone intervals. The Guankou Formation is subdivided into three major intervals, as follows:

- K_2g^1 is the oldest Cretaceous unit (K_2g^1) is about 60 m thick and consists of mudstone containing some anhydrite ($CaSO_4$) and minor amounts of Glauberite. Secondary calcite is common on surface outcrops. K_2g^1 in the area is about 220 m thick (base not exposed).
- K_2g^2 — K_2g^2 is a 227-to 243-m-thick sandstone-siltstone-mudstone unit containing the mineral-bearing Glauberite beds. K_2g^2 is divided into a lower mineral-bearing unit (K_2g^{2-1}), an interbedded mudstone unit (K_2g^{2-2}), and an upper mineral-bearing unit (K_2g^{2-3}).
- K_2g^3 is the youngest Cretaceous unit (K_2g^3) consists of 70 to 85 m of argillaceous siltstone with sandy mudstone partings.

The ore-bearing K_2g^2 unit is further subdivided into three intervals as follows:

- K_2g^{2-1} is the lower ore-bearing unit (K_2g^{2-1}) is the most extensive part of the K_2g^2 interval and contains all Glauberite beds being mined at Dahongshan, Guangji, and Muma. All estimates of reserves and resources presented in this report are from ore zones within this interval.

The K_2g^{2-1} unit ranges from 40 to 50 m in thickness and is subdivided into three groups:

- The lower ore group is 10 to 20 m thick and consists of two ore zones. The lowermost zone (1,2) is being mined at Dahongshan, and mining is also planned at Guangji. Only a trace of this zone is present at Muma. This zone consists of two contiguous and thick Glauberite beds separated by a thin siltstone parting. The upper zone lies approximately 3 to 5 m above the lower zone and consists of three Glauberite beds separated by thin mudstone and siltstone partings. Mining of this interval is planned at Muma. Mining is not planned at Dahongshan and Guangji due to the close vertical interval to the thicker lower ore zone currently being mined.
- The middle interburden group consists of 13 to 15 m of mauve, gypsum-bearing sandy mudstone with several unmineable (less than 1 m) Glauberite beds.
- The upper mineral group is approximately 20 m thick with six layers of bedded Glauberite and partings that form two ore zones separated by a thin layer of sandy mudstone and siltstone. Due to the close vertical interval between the zones, only one ore zone can be mined. Therefore, only the thicker lower ore zone is being mined at Dahongshan and Guangji, while at Muma the overlying upper zone is thicker and is being mined.
- K_2g^{2-2} — K_2g^{2-2} is an approximately 110 m thick predominantly mudstone section between the main mineral-bearing zones of K_2g^{2-1} and K_2g^{2-3} . There are several thin, scattered Glauberite beds in this interval and only one zone attains mineable thickness at Dahongshan.
- K_2g^{2-3} — K_2g^{2-3} is 70 to 80 m thick and is divided into three groups:
 - The lower group is approximately 20 m thick, with five Glauberite beds in two zones separated by partings of mudstone and siltstone. The lower zone consists of two thin unmineable beds,

separated by a thick siltstone layer. The thick upper zone is potentially mineable at Dahongshan and Guangji.

- The middle group consists of 25 m of sandy mudstone and siltstone with several thin Glauberite beds
- The upper group is 20 to 25 m thick with five to six layers of Glauberite that form two ore zones with interbedded layers of sandy mudstone and siltstone. The lower zone consists of two beds that are thin and split. The upper zone beds form a thick potentially mineable occurrence of Glauberite at Dahongshan and Guangji but are split at Muma.
- K₂g³ is the youngest Cretaceous unit and consists of 70 to 85 m of argillaceous siltstone with sandy mudstone partings.

Different ore zone designations are used at each deposit; however, the zones are easily correlated between deposits. Although the Dahongshan and Guangji deposits are 6 km apart, the ore zones and most of the individual ore beds can be correlated. The Muma deposit lies 30 km northwest of Dahongshan, and as shown below, most of the middle ore zones were not deposited.

The correlation of the zones in the areas is as follows:

<u>Dahongshan</u>	<u>Guangji</u>	<u>Muma</u>
25, 26, 27 Zone	6U Zone	Not Named
22, 23 Zone	6L Zone	Not Named
19, 20, 21 Zone	5U Zone	Not Present
17, 18 Zone	5L Zone	Not Present
16	4U Zone	Not Present
15	4M Zone	Not Present
14	4L Zone	Not Present
12, 13 Zone	3U Zone	Not Present
9, 10, 11 Zone	3L Zone	Not Present
Not Present	3U Zone	Not Present
12, 13 Zone	3L Zone	Not Present
9, 10, 11 Zone	2U Zone	3
6, 7, 8 Zone	2L Zone	2
3, 4, 5 Zone	1U Zone	1
1, 2 Zone	1L Zone	Not Present

Zones shown in bold are either currently being mined or are to be recovered in the mine plans, and are included in the estimates of reserves and resource presented in this report. While some of the upper zones shown above attain mineable thickness at Dahongshan and Guangji, they are not included in the mining right applications and, therefore, are not included in our estimates of ore reserves.

Regional dip of the strata and changes in topographic elevation impact the depth of cover over the primary Glauberite beds (zone), as follows:

Mining Right Area	Depth of Cover (range - m)
Dahongshan	75 – 375
Guangji	150 – 550
Muma	130 – 220

Depth of cover at Dahongshan increases downdip from the existing mine area. However, upper ore zones are present at shallower depths. At Guangji and Muma, based on the mine plans, mining will also progress downdip into the deeper part of the area. Due to the stable conditions associated with the deposit and the mining method employed, we do not anticipate any difficulties associated with underground mining at any of the Lumena mining operations/mine areas at these depths.

2.3.1 Dahongshan Mine Area Geology

The mine area lies on the southeastern flank of the Xiongpo Anticline, an asymmetric 81-km-long, 8-to 10-km-wide anticline that trends N30° to N50°E. Dip of beds, on the anticline flank, in the mine area is 8 to 10 degree southeast. Secondary folds, fractures, and faults are absent in the area.

Exploration drilling (13 core holes) has Identified 27 Glauberite-bearing beds that occur within six distinct ore zones within the Mine Area. These six zones are within three Cretaceous-aged units, with aggregate thickness in excess of 500 m. From oldest to youngest, they are K_2g^1 , K_2g^2 , and K_2g^3 (see Figure 2.1, following this text).

The Cretaceous units dip to the southeast at about 9 degrees and either outcrop in the hilly areas in the northern portion of the mine area or are unconformably overlain by Quaternary-age alluvium in the narrow river valleys that bisect the area. The Cretaceous strata are typically fractured, weathered, and leached in an upper 30 to 70 m thick layer over the area and act as an aquifer causing water to enter the underground mine inclines.

2.3.2 Guangji Area Geology

The Guangji area is 6 km south-southwest of the Dahongshan Mine. The geologic setting is similar to the Dahongshan Mine area. The Guangji resource area also lies along the southeastern flank of the Xiongpo anticline, an asymmetric 81-km-long, 8-to 10-km-wide structure that trends N30° to N50°E. In the resource area, beds strike to the northeast, and dips range from 14 to 18 degree to the southwest. In general, dip angle is greatest in the northwest part of the area, and decreases toward the southeast, and averages about 16 degrees. Exploration drilling (six core holes) in the general area shows that Glauberite occurs in numerous beds that form six distinct zones (see Figure 2.2). Three Cretaceous units with aggregate stratigraphic thickness of more than 445 m are present in the area. From oldest to youngest, they are K_2g^1 , K_2g^2 , and K_2g^3 . Beds containing Glauberite ($Na_2SO_4 \cdot CaSO_4$) occur in K_2g^2 , which is further subdivided into three units, K_2g^{2-1} , K_2g^{2-2} , and K_2g^{2-3} as follows:

The Cretaceous-age units dip to the southeast at about 16 degrees and outcrop in the hilly areas in the northern part of the area. In the remaining portion of the Guangji area, they are unconformably overlain by Quaternary-age alluvium. The Cretaceous strata are typically fractured, weathered, and leached in the upper 50-m to 90-m-thick layer that acts as an aquifer.

Two Quaternary formations are mapped in the resource area.

2.3.2.1 Q₂₊₃

An impermeable muddy gravel containing quartzite, granite, and some lava fragments with mud interstitial filling is widely distributed over the northwest and central parts of the resource area. The gravel is 20.4 to 112.0 m (average 64.4 m) thick and is unconformably underlain by the Cretaceous units.

2.3.2.2 Q₄

In the plains of the southeastern part of the area and the hills in the northwest, there are extensive silty clay soils that are up to 50 m thick (average 40 m). The top of the soils is rich in organic compounds and is extensively farmed.

2.3.3 Muma Area Geology

The geology and Glauberite bed occurrence is similar to the lower beds at Dahongshan and Guangji. The ore beds dip at approximately 3 degrees to the southwest. Surface alluvium ranges from 10 to 30 m in depth.

The Glauberite resources in the areas are defined by six drill holes. Detailed core descriptions and analyses of the ore beds were available for all holes. The exploration drilling has identified nine Glauberite-bearing beds in the areas that occur within two distinct ore zones within the area. Figure 2.3 shows a stratigraphic section for the Muma area.

2.4 Resource Evaluation Data

BOYD was provided with detailed data for the mine areas. This data included:

1. Mine design report.
2. Geologic report, including tables detailing available drill hole and mineral assay data.
3. Resource tonnage tables and maps for each ore zone.
4. Mine plan maps.
5. Other information.

The geologic report typically contained information for the following items:

1. Location and geography.
2. Regional geology, ore bed geology.
3. Ore quality.
4. Hydrology.
5. Engineering geology.
6. Environmental geology.
7. Exploration status.

8. Resource assessment.
9. Resource calculations.

The reports also contained various supporting maps, sections, and figures.

Lumena resources are defined by exploration drilling. Typical drill hole data included drill hole logs and assays. All drilling and assay work was completed by third-party exploration teams, and to BOYD's knowledge, Lumena has not been involved in exploration activities to a material degree.

The Dahongshan deposit is relatively well defined by drilling; however, we recommend a limited amount of additional drilling be conducted at Guangji and Muma. At Guangji, we recommend two holes be drilled in the center of the deposit. At Muma, we recommend the two holes be drilled in the southern part of the area. While we expect the ore zones will be present at the proposed drill hole sites, the additional data is needed to better define ore bed thickness and percent Na_2SO_4 for mine planning purposes.

BOYD received resource tables and maps for each ore zone in the respective resource areas. The resource maps show the hole locations, seam thickness and structure, area limits, current mining, and surface features. Resource polygons were shown with polygon identification number, area, bed thickness density, percent Na_2SO_4 , and in-place tonnage data.

Polygon tables were also provided that corresponded to the maps. These tables showed the polygon identification, area, thickness, and in-place tonnes. The table also shows the classification of the resources based on the classification system used by Chuanmei Mirabilite and Chuanmei Glauber Salt.

Chuanmei Mirabilite and Chuanmei Glauber Salt provided mine plan maps for each of the mines. These plans were reviewed by BOYD engineers with Chuanmei Mirabilite's and Chuanmei Glauber Salt's technical personnel and mine management.

During our review of this data BOYD personnel contacted Chuanmei Mirabilite and Chuanmei Glauber Salt to clarify and to verify our understanding of the data provided. Additional information, including maps and tables, was provided as needed. This interaction with Chuanmei Mirabilite's and Chuanmei Glauber Salt's technical personnel was an important source of information during our evaluation.

Chuanmei Mirabilite and Chuanmei Glauber Salt prepared in-place resource tonnage estimates for each area by ore zone according to standards established by the PRC Government for this type of salt deposit. Under these standards, all Glauberite beds greater than 0.5 m in thickness and greater than 15% Na_2SO_4 content are included in the resource estimates. Chuanmei Mirabilite and Chuanmei Glauber Salt geologists use a polygon method to define individual area subdivisions used to calculate in-place resources. The PRC Government requires detailed accounting of all in-place tonnage to establish resource fee requirements and to track exploitation of a strategic national asset.

BOYD has reviewed the in-place resource estimates prepared by Chuanmei Mirabilite and Chuanmei Glauber Salt and others and concluded that the estimates were reasonable based on the Chinese Standards and available source exploration data. However, these estimates did not conform with the JORC Code, and therefore, for the purposes of this study, BOYD independently prepared new estimates for the specified resources areas.

2.5 Resource Classification

In reporting resources for the valuation of mining properties, most international classification systems require two major factors be considered, namely:

- Geologic assurance of existence.
- Economic viability.

All systems require that the degree of geological assurance of the subject ore occurrence and definition be separated into various categories based on the spacing of points of observation (drill holes, mine measurements, and outcrop measurements).

Economic viability of resources is usually reported in economic and subeconomic categories.

The terms Resource and Reserve are commonly used in the reporting of ore tonnage, but the usage or definition supplied to these terms can vary between parties.

BOYD has prepared resource estimates for Lumena using the JORC Code. The resource and reserve definitions stated in the JORC Code are contained in the Glossary of this ITR report.

In this report Measured, Indicated, and Inferred Resources and Proved and Probable Reserves are defined by points of observation spaced as follows:

Mine/Area	Drill Hole Spacing (m)		
	Measured/Proved	Indicated/Probable	Inferred
Dahongshan	1,000	2,000	Not Applicable
Guangji	1,000	2,000	> 2,000
Muma	1,000	2,000	Not Applicable

The deposition of the salt deposits is stable, uniform, and persistent and correlation of beds between deposits (from 6 to 30 km) is relatively simple. Due to the stable depositional environment, BOYD has a high degree of confidence of ore occurrence in areas interpolated between drill holes; however, we are less confident in projecting (extrapolating) resources from the holes into unexplored areas. Therefore, along outer boundaries of defined resource areas, we have reduced the normal extrapolation distance of 1/2 of the drill hole spacing to 375 m for Measured and 750 m for Indicated.

It is important to understand that it is not appropriate to combine Inferred Resources with any Reserve estimates, as there is no direct connection between Inferred Mineral Resources and any category of Ore Reserves in the JORC Code. Estimates of Measured and Indicated and Inferred Mineral Resources and Proved and Probable Ore Reserves presented in this report are JORC Code compliant.

2.6 Economic Criteria

BOYD has developed criteria to assess the economic viability of each ore zone resource area. Economic viability is based on:

1. Current mining practices.
2. Current mining economics.

3. Ore thickness and areal extent.
4. Geological considerations.

We have developed the following thickness criteria:

Thickness Limits		Remarks
Minimum ore zone thickness	— 3.5 m	Includes combined thickness of ore beds, within an ore zone, excluding partings.
Maximum recoverable thickness	— 10 m	Thickness includes partings and ore beds.

The maximum zone thickness is based on the current mining method and blasting practices.

Based on these limits, the following ore zones were evaluated as follows:

Ore Zone	Included In Mine Plans	Remarks
Dahongshan Area		
24, 25, 26	No	Potentially mineable
22, 23	No	Too thin, split
19, 20, 21	No	Potentially mineable
17, 18	No	Too thin, split
16	No	Too thin
15	No	Too thin
14	No	Too thin
13	No	Too thin
12	No	Too thin
11	No	Too thin
9, 10	No	Too thin
6, 7, 8	Yes	
3, 4, 5	No	Too close to 1,2,
1, 2	Yes	
Guangji Area		
6U	No	Potentially mineable
6L	No	Too thin, split
5U	No	Potentially mineable
5L	No	Too thin, split
4U	No	Too thin
4M	No	Too thin
4L	No	Too thin
3U	No	Potentially mineable
3L	No	Too thin, split
2U	No	Too thin, split
2L	Yes	
1U	No	Too thin, split
1L	Yes	
Muma		
3	Yes	
2	No	Too thin
1	Yes	

While several of the upper zones at Dahongshan and Guangji are potentially mineable, only those seams that are to be included in the mining rights have been included in our estimates of resources and reserves.

2.7 Reserve and Resource Estimating Methodology

Resource areas were mapped for each ore zone that met the preceding economic criteria. The areal limits of potential resources were initially determined according to the existing mining right boundaries and the subcrop of the seams. As described in the geology section of this chapter the upper portion of the ore zones are weathered, fractured, and leached near the surface and act as aquifers. In portions of the resource areas, these weathered strata are also overlain by varying thicknesses of alluvium. These water-bearing strata must be avoided in the mining process to prevent mine flooding, and therefore, minimum mining depth criteria were established to exclude these areas from tonnage estimates and provide a mining barrier. The minimum depth limits used for the areas are as follows:

Area	Minimum Mining Depth (m)
Dahongshan	75 m underlying hilly areas 100 m underlying drainage areas
Guangji	150 m

The increased depth used at Guangji is due to the extended depths of alluvium that overlie the weathered Cretaceous strata. There are no shallow weathered resource areas in the proposed mining right area at Muma.

Once the mineral resource areas were mapped, estimates of in-place Glauberite and marketable Thenardite tonnage were prepared for each mineral resource area, by ore zone and resource classification using the ore zone maps provided by Lumena.

In-place estimates of equivalent Thenardite tonnage were prepared within each mapped resource area by using the thickness of the Glauberite ore defined by the drilling data, a 2.72 specific gravity factor for the Glauberite ore, and the weight percent Na_2SO_4 in the ore as determined by the laboratory analyses for each the drill hole.

Estimates of Marketable or Product tonnes of Na_2SO_4 (Thenardite) were then prepared by first applying the 60% estimated extraction recovery anticipated in the mining operation. This factor is based on historic recovery at Dahongshan Mine and represents an overall factor allowing for losses in barrier pillars, recovery of the excavated mine material that is leached on the surface, and recovery in the underground solution mining cells.

2.8 Lumena Resources

BOYD has prepared JORC Code compliant resource estimates for the Mining Right areas as of January 1, 2009. Our estimates of the Proved and Probable Reserves are presented as follows:

JORC Code January 1, 2009									
Ore Zone	Average Thickness (m)	Thenardite (Mt)							% of Reserves
		In-Place Resource				Marketable Reserves			
		Measured	Indicated	Inferred	Total	Proved	Probable	Total	
Dahongshan Mine									
6,7,8,	6.1	13.80	2.69	—	16.49	8.28	1.62	9.90	51
1,2	5.8	11.68	4.14	—	15.82	7.01	2.49	9.50	49
Total		25.48	6.83	—	32.31	15.29	4.11	19.40	100
Guangji Mine									
2L	5.7	11.85	8.05	0.96	20.86	7.10	4.83	11.93	58
1L	4.8	8.80	5.71	0.65	15.16	5.27	3.43	8.70	42
Total		20.65	13.76	1.61	36.02	12.37	8.26	20.63	100
Muma Mine									
3	5.7	9.70	3.10	—	12.80	5.82	1.57	7.39	43
1	4.9	—	16.26	—	16.26	—	9.75	9.75	57
Total		9.70	19.36	—	29.06	5.82	11.32	17.14	100
Total									
Total		55.83	39.95	1.61	97.39	33.48	23.69	57.17	100

Lumena currently controls an estimated 57.2 million marketable tonnes of Thenardite. The three mine areas contain similar tonnage and average bed thickness ranges from 4.7 to 6.1 m. Approximately 59% of the reserves are in the Proved classification. These estimates are also presented in Table 2.1 of this report.

As shown, 4% of the total Guangji resources are in the Inferred Resource category due to the limited amount of exploration drilling. While Inferred Resources reflect a low degree of confidence of existence of the resources, based on the stability of the depositional environment, we expect that additional exploration is likely to upgrade the majority of the resources to measured or indicated status. Inferred tonnage cannot be included in JORC Code compliant estimates of Marketable Reserves shown above due to the low degree of geologic assurance of Inferred Resources. BOYD has prepared estimates of the Marketable Inferred Resources at Guangji to provide guidance as to what the marketable tonnage would be if the Inferred Resources exist as projected. These estimates were prepared using the same methodology as in adjacent Indicated areas. We estimate there are approximately 1 Mt of Inferred Marketable Resources. Additional drilling would be required to potentially upgrade the Inferred Resource tonnage to Indicated status. It is important to understand that it is not appropriate to combine Inferred Resources with any Reserve estimates, as there is no direct connection between Inferred Mineral Resources and any category of Ore Reserves in the JORC Code.

There are significant additional undeveloped Glauberite resources at the mine sites. At Dahongshan and Guangji, potentially mineable upper ore zones overlie the zones but are not included in our resource estimates since they are not included in the mining rights. There are also additional undeveloped resources adjacent to all mining right areas.

2.9 Mine Service Life

Mine service life estimates, assuming the Dahongshan mining right is renewed, are as follows:

<u>Mine Area</u>	<u>Marketable Reserves Thenardite (Mt)</u>	<u>Mine Life (Years)</u>	<u>Projected Output (Mtpa)</u>
Dahongshan	19.40	32	0.6
Guangji	20.63	21	1.0
Muma	17.14	14	1.2

Mine service lives could be extended if Lumena is successful in obtaining the mining right to the additional undeveloped Glauberite resources adjacent to the current mining right areas.

2.10 Ore Quality

Ore quality for the Dahongshan and Guangji areas is similar and is relatively uniform between and within the ore zones. Typical Glauberite ore is as follows:

<u>Chemical Constituent</u>	<u>Weight %</u>
Na ₂ SO ₄	37
CaSO ₄	37
MgSO ₄	<1
NaCL	<1
Other Insolubles	25

The percent Na₂SO₄, or Thenardite, in the ore by ore zone is as follows:

<u>Ore Zone</u>	<u>% Na₂SO₄</u>	
	<u>Range</u>	<u>Average</u>
Dahongshan Mine Area		
6, 7, 8	38 - 42	40
1, 2	36 - 40	38
Guangji Mine Area		
2L	39 - 40	40
IL	31 - 39	35
Muma Area		
3	33 - 37	34
1	35 - 40	36

Typically, the Na₂SO₄ is 34% to 40% of the ore within the Lumena properties. Glauberite in Sichuan Province reportedly averages around 35% of Na₂SO₄; however, Glauberite in other parts of China have a lower Na₂SO₄ content of approximately 25% on average.

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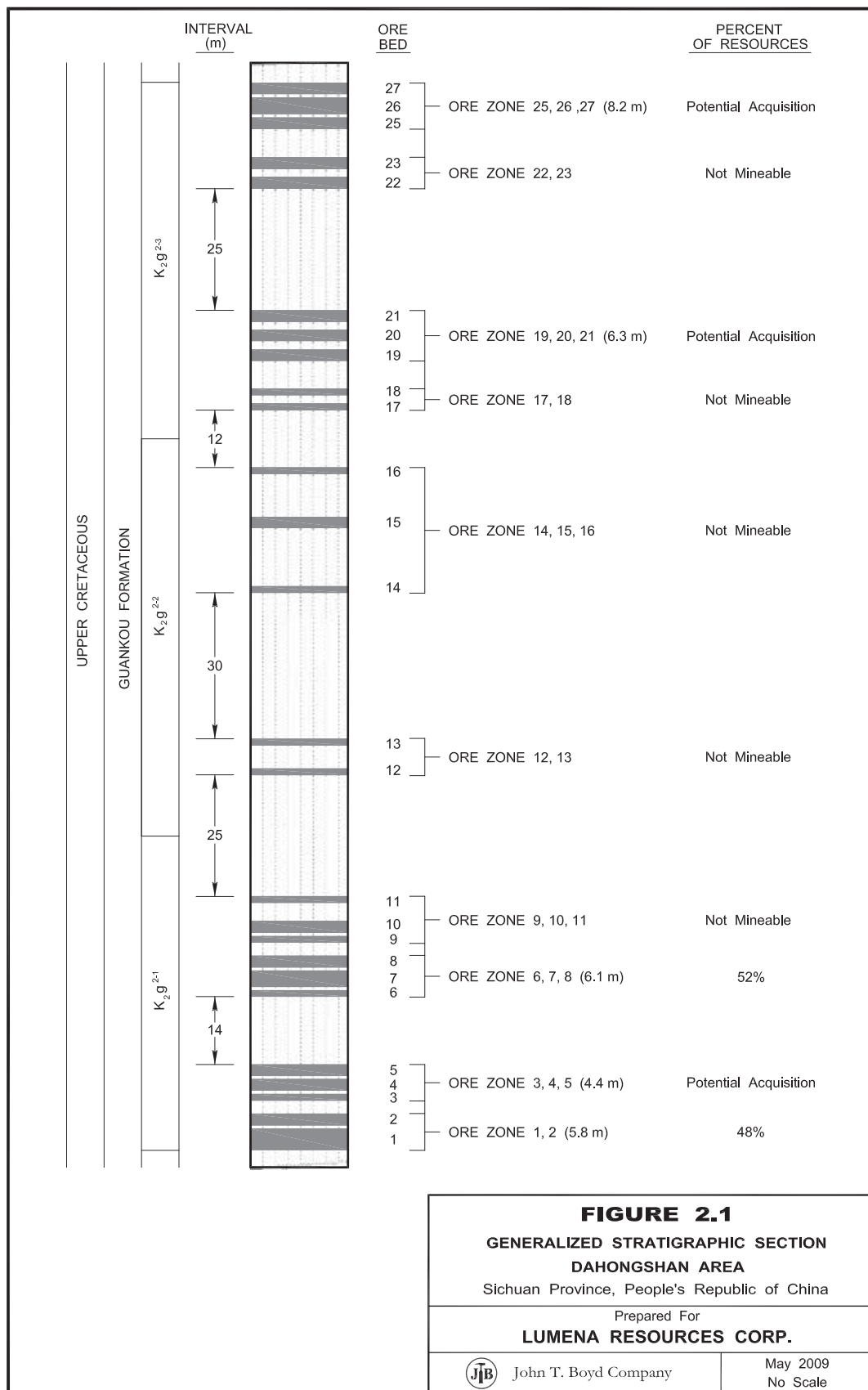
Figures

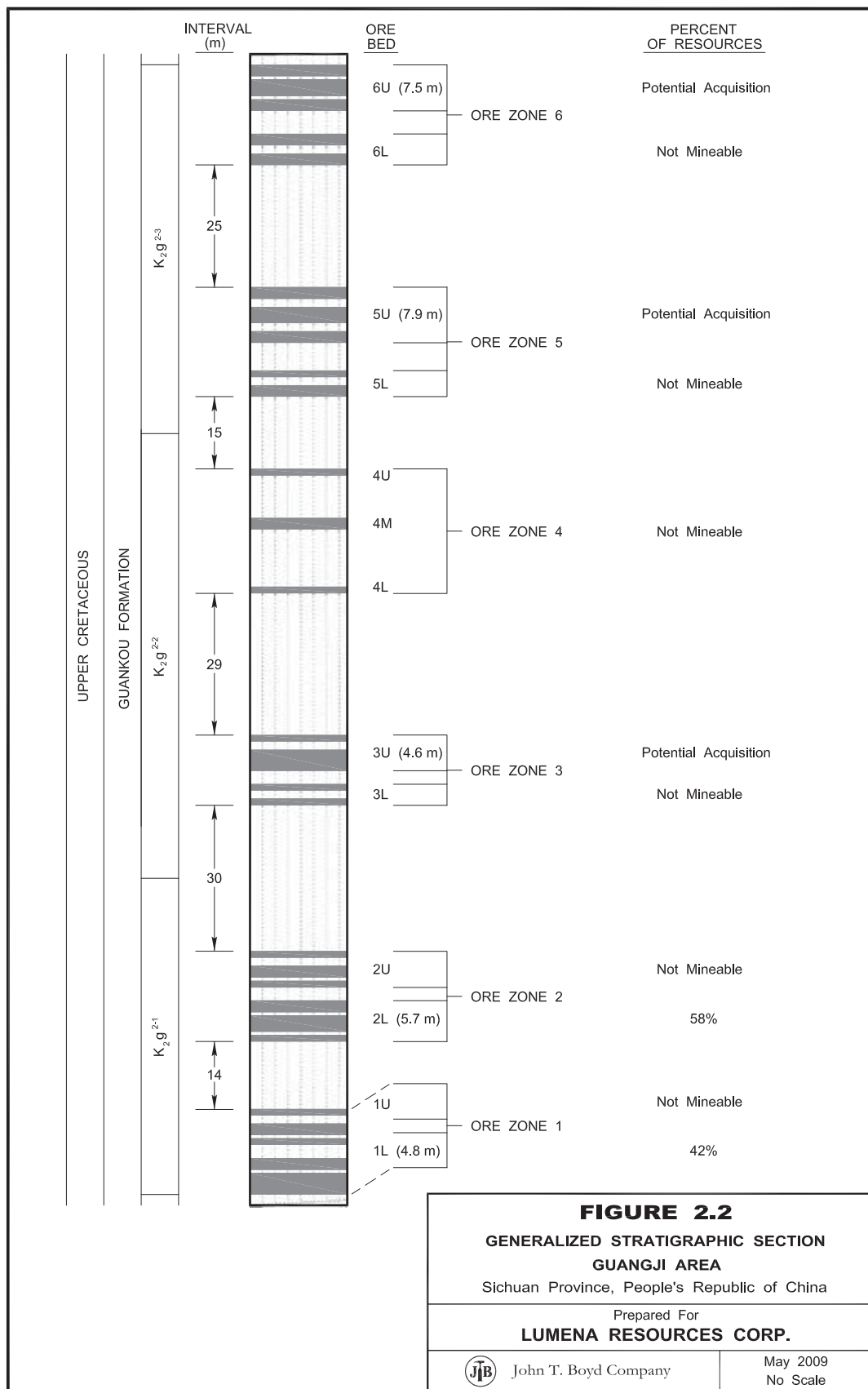
2.1: Generalized Stratigraphic Section — Dahongshan Mine Area

2.2: Generalized Stratigraphic Section — Guangji Area

2.3: Generalized Stratigraphic Section — Muma Area

Table 2.1, Reserve Estimate

**DRAFT**

**DRAFT**

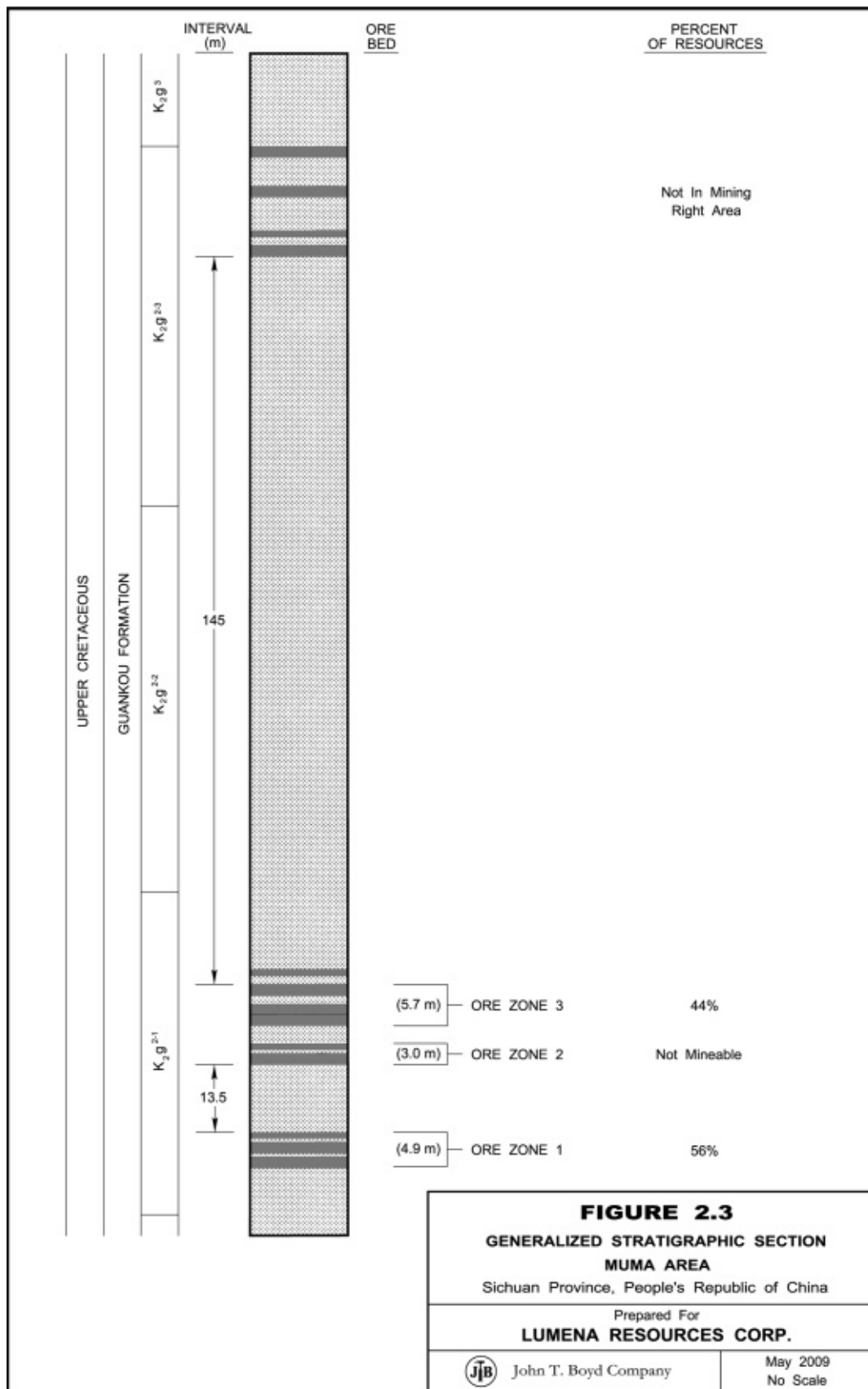


TABLE 2.1

RESERVE ESTIMATE
SICHUAN CHUANMEI MIRABILITE COMPANY LTD.
SICHUAN CHUANMEI SPECIAL GLAUBER SALT COMPANY LTD.
Sichuan Province, China
Prepared For
LUMENA RESOURCES CORP.
By
John T. Boyd Company
Mining and Geological Consultants
May 2009

Ore Zone	JORC Code							% of Reserves
	January 1, 2009							
	Thenardite (Mt)							
	In-Place Resource				Marketable Reserves			
	Measured	Indicated	Inferred	Total	Proved	Probable	Total	
Dahongshan Mine								
6,7,8,	13.80	2.69	—	16.49	8.28	1.62	9.90	51
1,2	11.68	4.14	—	15.82	7.01	2.49	9.50	49
Total	25.48	6.83	—	32.31	15.29	4.11	19.40	100
Guangji Mine								
2L	11.85	8.05	0.96	20.86	7.10	4.83	11.93	58
1L	8.80	5.71	0.65	15.16	5.27	3.43	8.70	42
Total	20.65	13.76	1.61	36.02	12.37	8.26	20.63	100
Muma Mine								
3	9.70	3.10	—	12.80	5.82	1.57	7.39	43
1	—	16.26	—	16.26	—	9.75	9.75	57
Total	9.70	19.36	—	29.06	5.82	11.32	17.14	100
Total								
Total	55.83	39.95	1.61	97.39	33.48	23.69	57.17	100

3.0 PRESENT OPERATIONS OF DAHONGSHAN

3.1 Introduction

Chuanmei Mirabilite operates the Dahongshan Mine (Dahongshan) approximately 20 km northwest of Meishan City, Sichuan Province. The authorized output level is 1.2 Mtpa. Actual output of Thenardite in 2008 was 0.6 Mt, and Lumena intends to maintain this output level in the next two years. Initial production of Mirabilite from the current mining area used shallow wells (40 to 60 m deep) for solution recovery of the Mirabilite material. In 1972, the central government provided funding to commence development of an underground mine. Construction was suspended later in 1972 due to insufficient funds. In 1985 work was resumed and the mine opened in 1987. Drill and blast techniques are used to develop the underground roadways. Chuanmei Mirabilite has been granted a new mining right certificate in September 2009, which covers 3.6917 km² area and the Nos. 1, 2, 6, 7, and 8 Glauberite beds.

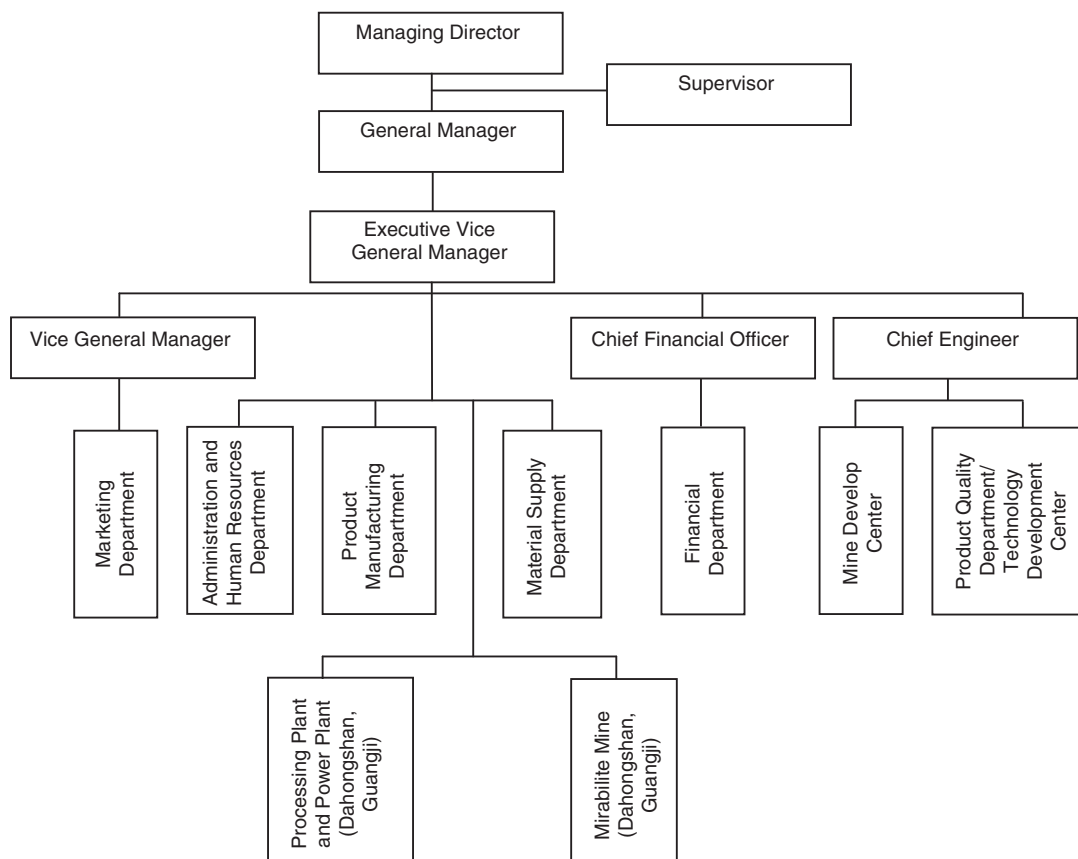
Transportation infrastructure in the Dahongshan area is well-developed. The Chengdu-Kunming railway passes the east side of this area and the Meishan Railway Station is about 10 km away by road. The distance from Dahongshan to Chengdu, the capital of Sichuan Province, is approximately 75 km, and to Chengdu Shuangliu Airport, is approximately 60 km.

BOYD personnel visited the mine and processing facilities on January 25, 2008 and subsequently on June 4-7, 2008. The underground pump station, explosive storage room, roadways, development heads, and other underground facilities were toured, as well as the surface power station, processing plants, and portal facilities.

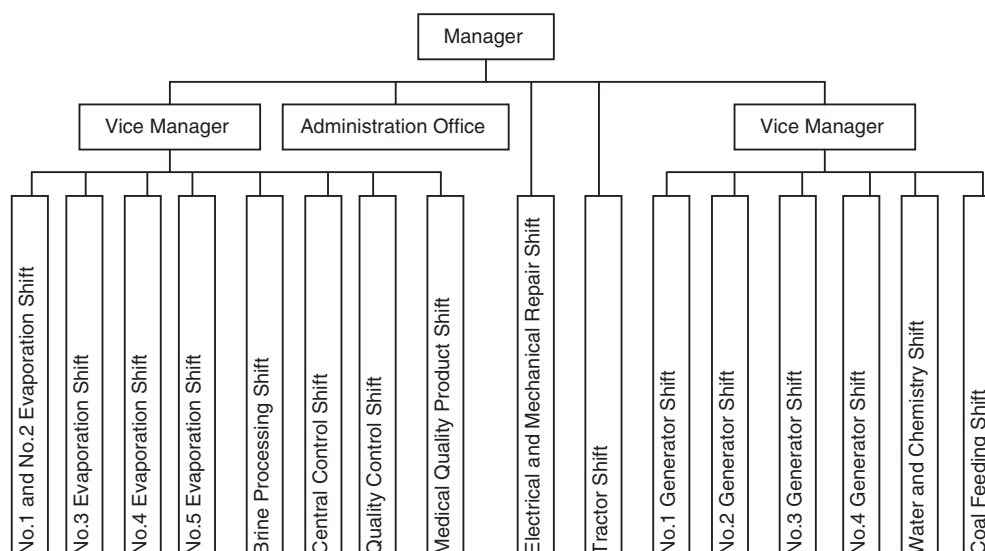
3.2 Management Structure

Chuanmei Mirabilite, which operates Dahongshan Mine and processing plant, and Chuanmei Glauber Salt, which operates both the Guangji and Muma underground mines and processing plants, share the same general management, while each mine has its own on-site mine/plant management staff.

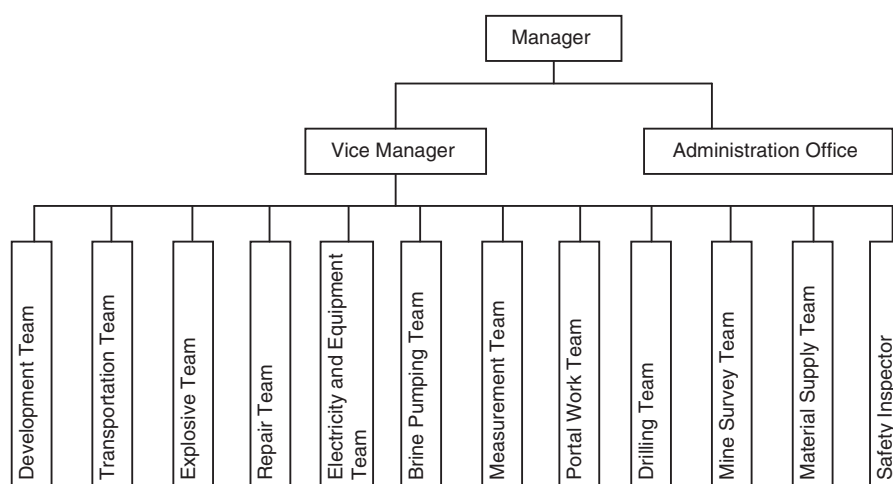
Current management of Chuanmei Mirabilite and Chuanmei Glauber Salt is illustrated below:



The management of Dahongshan processing plant and power plant is illustrated below:



The management of Dahongshan Mine is illustrated below:



3.3 Site Operating Statistics/Costs

The site operating schedule is based on three 8-hour shifts per day, 7 days per week, and an average of 330 work days per year. Underground roadway drivage is scheduled at two shifts daily. As of December 31, 2008, Dahongshan employed 928 employees.

<u>Work Area</u>	<u>Number of Employees</u>
Management	119
Mine	245
Processing Plant	351
Power Plant	213
Total	928

The mine personnel are distributed by general work area as follows:

<u>Department</u>	<u>Number of Employees</u>
Development Crews	150
Transportation System	29
Maintenance	5
Electrician & Mechanic	16
Brine Pumping	21
Safety Inspection	4
Portal	4
Detonator & Explosive Storage	9
Drilling	2
Supervision (Managers)	5
Total	245

Development of underground workings is the primary and most labor-intensive work which requires approximately 10 personnel, including workers performing drilling, blasting, loading of the shot ore, etc.

A summary of historic Thenardite production (output) at Dahongshan follows:

<u>Year</u>	<u>Production Thenardite Product (tonnes- 000)</u>
2002	411
2003	441
2004	465
2005	521
2006	504
2007	603
2008	586

3.4 Dahongshan Underground Mine

3.4.1 Physical Mining Conditions

Historic mining has been in the combined No. 1 and No. 2 beds (1/2 Zone), which are the thickest and stratigraphically the lowest of the Glauberite zones. The combined No. 1 and No. 2 beds average 5.8 m in ore thickness within the active mining areas and are separated by a rock parting that averages 0.7 m.

In areas of shallow overburden depth, caution must be exercised to avoid encroaching on the water-bearing alluvial material which varies from 30 m to 70 m in depth and overlies the bedrock. While the underground mine workings are generally dry, 2,000 m³/day of ground water enters the mine from the main incline, which is driven from the surface through the alluvial material (source of the ground water inflow) and into the underlying Glauberite-bearing bedrock.

Average dip of the Glauberite beds is 10 degrees to the southeast. Depth of mining to the 1/2 Zone ranges from suboutcrop (nominal 75 m) to 250 m within the original mining right area and up to 375 m in the adjacent Dahongshan Expansion area.

The mine floor and immediate roof strata are typically sandy clay, which are stable and do not require support at most locations.

The insoluble (non-ore) material has a coefficient of expansion of 1.3 to 1.4 when exposed to water. This swelling or bulking fills the void left in the production cells after recovery of the Mirabilite (dissolved sodium sulfate solution, $\text{Na}_2\text{SO}_4 \cdot 10 \text{ H}_2\text{O}$) and serves to minimize or prevent subsidence of the overlying strata. No surface subsidence was observed during BOYD's site visit.

Gases produced during blasting are diluted and removed by the mine's ventilation system.

3.4.2 Access

Access to the underground mine is provided by three inclines, the two original mine openings and the current main incline (Taojiawan) driven in 1995.

Incline	Length, Incline Angle	Current Use
Original Main	353 m at 23°25'	Intake fresh air, travel way for mine personnel.
Original Service	364 m at 23°30'	Return air (exhaust ventilation fan), pipelines and cables.
Taojiawan Main	330 m at 23°	Intake fresh air; hoist for removal of mined ore, operating supplies (materials), and equipment; pipeline to return Mirabilite (recovered from mined ore) to the underground Mirabilite handling system.

The original inclines are 40 m apart and located in the north-central portion of the original mining right area. Processing and other mine surface facilities are located near the original mine openings. The Taojiawan Main Incline is 1.65 km west of the original inclines and located to provide more direct access to the southwestern portion of the original mining right area (final phase of mining in the 1/2 Zone within the original mining right area). Underground mined Glauberite from roadway drivage is transported to the Taojiawan Main Incline and hoisted to the surface. Glauberite is deposited on the surface and leached with water, and the Mirabilite solution is returned by pipeline to the underground Mirabilite solution circulation system.

3.4.3 Mine Layout and Mining Practices

Dahongshan Mine employs a room solution mining technique that includes a combination of room-and-pillar underground mining practices with solution recovery of the soluble ore within designed 260 m x 200 m production cell or block areas. The basic sequence of mining includes:

- Development of transport roadway on strike (i.e., horizontal) at selected levels: 389 m (Level No. 1), 331 m (Level No. 2) with intermediate roadways driven at 359 m and 300 m. All roadways are developed using drill and shoot practices. Main roadways are designed 4 m wide x 2.8 m high in cross section and driven on the bottom of the No. 1 bed. Double narrow gage rail is laid in the transport roadways for movement of 1 tonne capacity ore cars via electric 7 tonnes locomotive-trolley wire system to and from the incline hoist system serving the Taojiawan Main Incline.
- A connecting entry is driven between levels on approximate 260 m intervals (past mining has the connecting entry spaced 175 to 450 m apart) to form the individual cell or production block area boundary.
- A series of service roadways are driven downdip and connected by a series of horizontal roadways (on strike) or crosscuts are driven on nominal 18 m centers, resulting in a series of 16 m x 16 m solid

pillars remaining. (See Figure 3.1, following this text.) These interior cell roadways are 3 m wide x 2.6 m high and are driven at the bottom of the No. 1 bed. A fully developed cell has a series of 15 horizontal roadways and 9 to 10 connecting inclined roadways. Ancillary hoisting roadways are driven down dip on 54-m intervals along the length of the cell (to removal shot ore to the wheel roadway located updip via a hoist and rail-mounted, 1 tonne ore car system). A 25–30 m wide barrier pillar (measured at the bottom of No. 1 Bed) is left on the updip side of the cell adjacent to the wheel roadway with nominal 10 m wide pillars (barriers) maintained on the three remaining sides of the cell. Including the adjacent wheel roadway, approximately 4,860 m of roadway must be driven for each 260 m square cell. This equates to 10,270 tonnes of mined material (ore and rock). Pipelines for future water injection at the top of the cell and extraction of the mirabilite solution from down dip corner of the cell are installed.

- High density angle drilling is completed along both sides of the horizon cross-cut entries. Holes are spaced 2.0 to 2.5 m apart, with rows in 1.6 to 1.8 m spacing, and extend 10 m into the pillar and up to 8 m into the roof (as illustrated on Figure 3.1, following this text). The depth of individual drill holes is varied depending on thickness of the ore layers and the angle of drilling. Upon completion of drilling, holes are loaded with explosives and the cell area shot. Up to 40 tonnes to 50 tonnes of explosives and 8,000 detonators are used to rubblize each cell area with 300,000 to 400,000 tonnes of ore blasted. Average powder factor (explosive usage) is 0.20 kg of explosives per tonne of ore. See Figure 3.2, following this text, for an illustration of roadway drilling practices.
- Fresh water (at 25° C to 26° C temperature) is injected into the cell area to dissolve the ore. When the concentration level reaches 27° Baumé, the mirabilite solution is removed and enters the mine's Mirabilite pipeline system for transport to the surface. The cells can be recharged with fresh water and the process repeated. The operating life of individual cells is three to five years. Over time the recoverable ore is depleted. When the concentration drops to 7° to 8° Baumé, the solution is circulated to a newer mining block.

Figure 3.3, following this text, includes selected photographs of the Dahongshan underground mine operation during BOYD's visits.

3.4.4 Mine Services

Electricity is sourced from the on-site Dahongshan power plant (3 x 1,500 kW). Lumena reported that the capacity of Dahongshan power plant is not sufficient for the mine and processing plant, and additional power has to be purchased from the public grid. The power source from the public grid is a 750 kW coal-fired power plant, which distributes electricity at 127 kV to the Doguan Substation. From the substation, power is reduced to 35 kV and transmitted to the mine site's 5,000 kVA substation. Power is further reduced to 10 kV and distributed to various transformer substations for further reduction to 36 V for underground use and 220/380 V for surface use. As a backup to the power stations, there are two 700 kW diesel-powered generator sets.

Water for industrial and residential use is sourced from the nearby Huangliangeng reservoir. This water must be treated for human consumption and residential uses. Ground water flowing into the mine via the inclines is collected and stored in a series of sumps and used underground for roadway development (drilling) and to fill production cells for dissolving the soluble Mirabilite.

The underground mine's central ventilation system is an exhaust system using the two main inclines as fresh air intakes and the service incline as the return air facility. Approximately 2,038 m³/min of return air exits the mine via the fan drift connection to the service incline. A 15 m high chimney is constructed on top of the fan drift to facilitate the discharge of gases in the return air flow. Brattice cloth is used underground to direct air flow into cell areas following blasting to disperse gases. Smaller axial flow ventilation fans are also used in the blowing mode to improve ventilation underground.

Underground transportation systems are in place for movement of man, materials, mined ore, and Mirabilite solution. Personnel enter the mine using an overhead staff-riding system (overhead tram) installed in the service incline. Once underground, personnel walk to their assigned work area. The main incline has a double roller hoisting system capable of raising five 0.5 m³ capacity “V” type mine cars at a time. On the level roadways, 7 tonne, electrical powered locomotives are used to shuttle five 1 tonne capacity ore cars from the mouth of the working faces to the connection to the underground winch system. Manual loading is used to remove the shot ore from the development headings and place it into the 1 tonne railcars. Mirabilite solution enters the underground pipeline system directly from the production cells and is pumped to the Glauber’s salt sump located at the bottom of the original main incline. The solution is then pumped up the original mine main incline to the Mirabilite processing plant located on the surface.

3.4.5 Mine Safety

The Dahongshan Mine operates in a safe manner with only one reported accident between 2003 and 2008, as shown below:

<u>Year</u>	<u>Accident</u>	<u>Number of Workers Hurt</u>	<u>Number of Accidents</u>
2002	Mine car collision	1	1
2003	Mine car collision	1	1
2004	—	—	—
2005	—	—	—
2006	—	—	—
2007	—	—	—
2008	—	—	—

Following the 2003 accident, Chuanmei Mirabilite took proactive steps (measures) to address the cause of the accident, including:

- Installed railcar stops.
- Installed automatic safety gate.
- Strengthened safety management practices.

3.5 Mirabilite Processing

3.5.1 History

The original processing plant was constructed in 1952 and replaced with the current facility in 1975. A new boiler and associated steam delivery system was installed in 1991. The processing facility is currently served by three 1500 kW and one 750 kW coal-fired boilers which generate electricity and steam for plant and facility consumption. Current plant capacity is 0.6 Mtpa of Thenardite product (anhydrous sodium sulfate, Na₂SO₄). In 2006, 2007, and 2008, reported production was 0.50 Mt, 0.6 Mt, and 0.59 Mt, respectively, of anhydrous sodium sulfate. The product is commonly packaged and sold in 50 kg, 25 kg, and 1,000 kg bags.

3.5.2 General Comment

Processing employed at the Dahongshan plant is typical for Mirabilite operations. Process vessels, evaporators, centrifuges, cyclones, and auxiliary equipment (pumps) were observed to be well maintained and observed leakage was minimal. Housekeeping practices in the plant are good and the facility is free of noticeable debris. The installed process system incorporates five independent circuits enabling the plant to continue to

operate in the event of a mechanical failure or maintenance-related issue to one or more of the circuits. The production output of the plant is reduced in this case, however, the plant could continue to operate. The plant uses a closed loop circulation system eliminating untreated process water being discharged to the environment. The plant age (31 years), the corrosive nature of the process, and visible external corrosion mandate a detailed plant integrity inspection program to facilitate the regular refurbishment or replacement of equipment as required. Special attention/maintenance is required for the evaporation circuitry of the plant.

3.5.3 Process

Brine (Mirabilite solution) from the mine is treated to remove impurities, principally calcium sulfate (CaSO_4), evaporated to precipitate sodium sulfate (Na_2SO_4), and centrifuged and dried (at 45°C) to remove water before the Thenardite product is transferred to the bagging plant (see flowsheet, Figure 3.4, following this text).

The brine from the production cells is pumped to the surface from a 10,000 m^3 capacity underground surge tank and initially flows through a steam and/or hot water heat exchanger before entering the reactor for calcium treatment. A reagent, e.g., soda ash (sodium carbonate, Na_2CO_3) and caustic soda (sodium hydroxide, NaOH) is added at a metered rate for calcium removal. The process stream is then gravity directed to a settling tank where solids are removed. The stream is then pumped through a sand filter for removal of suspended solids before passing into a solution tank for process control. After leaving the solution tank, the solution is deoxidized using a vacuum system.

Five steam evaporators in series are used for water removal and concentration of the sodium sulfate. The steam evaporators use secondary heat recovery from the coal-fired generating station's steam turbine. Modernization of the evaporation system to utilize more efficient heat recovery would reduce energy costs. After passing through the evaporators, the product stream is pumped to cyclones for further concentration and dewatering, then centrifuged and desiccation dried for final removal of moisture. Two Thenardite products, one coarse (medical grade) and one powder, are produced.

3.5.4 Packaging

The Thenardite product is conveyed from the desiccator after drying and stored in an overhead bin for bagging. Discharge rate from the bin is valve-controlled to fill poly-woven bags (with plastic liners). After filling, the bags of products are belt-conveyed to a heat shrink station which seals the plastic liners and then to an automated sewing station which stitches shut the poly-woven bags. The bags of products are then manually either immediately loaded onto trucks or warehoused for interim storage. The bags of products are dispatched from the processing facility to individual customers or distribution centers by truck. Approximately 8 to 10 people per shift are involved in the packaging operation.

3.6 Environmental Protection

3.6.1 Regulatory Guidelines

The following governing environmental protection requirements are adopted for the Dahongshan operations:

- Guideline for Environmental Protection Design of Construction Project, (87) China Environment No. 002.
- Guideline for Metallurgical Industry Environmental Design (YB9066-95).
- Sichuan Province Atmosphere Pollution and Drainage Standard.

- Sichuan Province Pollution Material Drainage Standard, DB51/190-93.
- Technique Enterprise Plant Boundary Noise Environment Standard (Industrial Area), BG12348-90.

3.6.2 Environmental Quality Status

The general mine site by its inherent nature has affected the environment in terms of surface facility construction (land use) and disposal and processing of mined ore on the surface near the entrance to the Taojiawan Main Incline. Chuanmei Mirabilite has taken proactive measures to protect the environment and to minimize any potential negative impact on the environment.

3.6.3 Areas of Potential Environmental Impact

The potential impacts on the environment and the steps taken by Chuanmei Mirabilite to avoid or minimize such impacts are discussed below.

3.6.3.1 Surface Subsidence

The high extraction of Glauberite ore during the room-and-pillar development, bulk blasting, and solution recovery operations in the underground mine create the possibility of mine roof collapse and resulting subsidence of the overlying surface. Chuanmei Mirabilite conducts mining process strictly in accordance with the Non-coal Mining Safety Regulations and leaves sufficient underground pillars to support the surface. Chuanmei Mirabilite believes the potential for subsidence is mitigated by the inherent swelling characteristics of the non-soluble strata occurring within and between the Glauberite beds (i.e., non-soluble materials have a swell or bulking index of 1.3 to 1.4 when exposed to water). In addition, the mine workings located outside the immediate production cell areas are only mined to low level (percentage) of extraction. Large barrier and other support pillars are left intact to protect the integrity of the key roadway openings. The mine has also left the Glauberite resource areas underlying the mine's surface facilities and the Pan'ao River in place (unmined). Chuanmei Mirabilite and Dahongshan Mine management report there has not been any evidence of significant ground fissures or other manifestations of surface subsidence within the surface areas overlying the existing mine workings.

3.6.3.2 Solid Waste

Run-of-mine (ROM) ore from the roadway drivages is hoisted to the surface at the Taojiawan Main Incline, where it is placed in stockpiles and subjected to leaching with water to recover the Mirabilite solution. The ROM ore material includes the mined Glauberite bed(s) and rock contamination, including rock between the beds and floor rock (to the extent that excavating a horizontal mine floor results in cutting into the rock strata under No. 1 bed). Approximately 10% to 15% of the ROM tonnage hoisted to the surface is rock contamination. Leaching will result in recovery of the Mirabilite from the stockpiled Glauberite ore. After processing, approximately 65% of the total tonnage of ROM material remains as residue to be disposed of on the surface. Thenardite recovered from the mined ore accounts for 5% or less of total product when the mine is in normal operating mode (i.e., mining is limited to extension of level roadways and production cell development in one ore zone). A small amount of slag is also generated from Mirabilite refining process. At an annual production level of 550,000 tonnes of Thenardite, the corresponding annual quantity of refuse disposal at the Taojiawan site is an estimated 260,000 tonnes. Part of the refuse from underground development is gypsum ore which is then dried and compressed into sulfate remover, and Lumena plans to recover and use the gypsum ore from all its three mines (Dahongshan, Guangji, and Muma) as a resource. RMB5.0 million has been budgeted as a research and development fund for this purpose. The rest is transferred into underground ore-depleted cells.

The Taojiawan ore refuse disposal area has over 50 years of operating life capacity. Ore and slag material is disposed of on a large hill, which will be covered by loess (surface alluvial material), then planted with grass and trees.

3.6.3.3 Dust and Gas Generation

Airborne dust and waste gas are produced during underground operations: rock drilling, blasting of the ore in active roadway headings, and during handling and transport of the ROM ore. Limiting the generation and control (removal) of airborne dust are achieved by use of wet drilling, installation of water sprays at ROM ore handling stations, and dispersal by the mine's ventilation system. Workers loading shot ore from the active roadway headings are provided face masks to minimize dust inhalation. The processing facility is generally well kept and maintained. During our site inspections, we observed that very little mine and process waste is landfilled and that scrap and waste materials were properly recycled in accordance with current environmental requirements. Ash from the coal-fired power and steam plant is temporarily stockpiled in a designated area and subsequently sold to local cement producers for use in their manufacturing process. The above ground production plants adopt electrostatic precipitators and filter bag techniques to remove airborne dust. Lumena plans to upgrade the ash residue removal system for the boilers at Dahongshan power plant to reduce the sulfur content in the smoke discharges and improve the efficiency of fuel usage. RMB5.0 million is budgeted for this project over the next three years. BOYD is of the opinion that these measures are effective and the mine and processing plant operate in compliance with relevant dust/gas emission and control requirements.

3.6.3.4 Wastewater

Availability and use of clean water is critical to the underground mining operation since Mirabilite is primarily recovered via solution action in the production cells. Water requirements are met from the inflow of groundwater into the underground workings. It is our understanding the entire operation does not discharge any untreated wastewater to the environment using a waste water recycling system. All waste water generated from the production process is recycled underground to be used in Glauberite ore dissolution. It is BOYD's opinion that there is not any material issue with wastewater disposal.

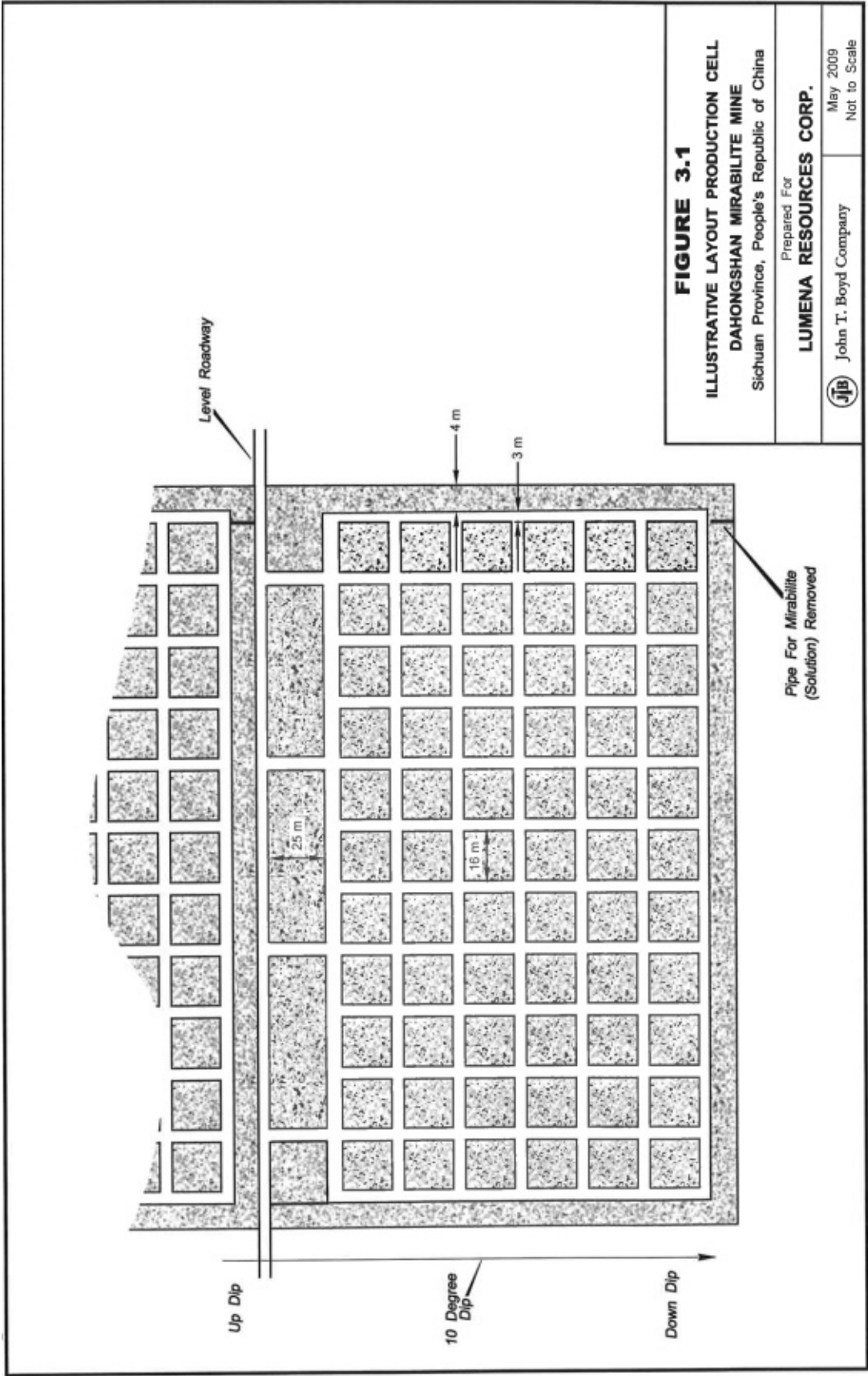
3.6.3.5 Noise

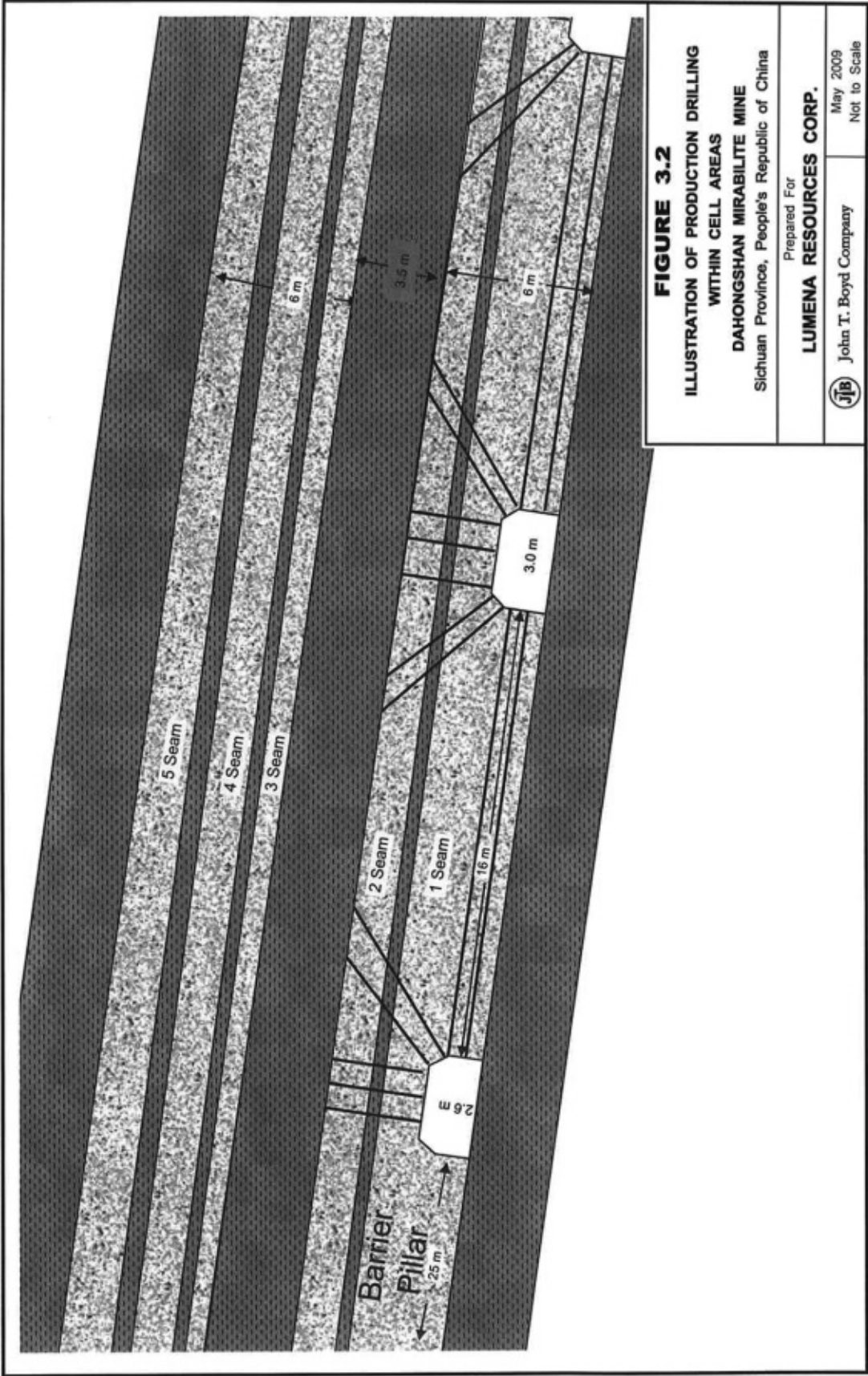
Noise is generated during the operation of equipment and machinery, and during underground blasting operations. The Mirabilite processing facility incorporates pressure vessels, pumps, conveyors and steam operated equipment. Reasonable measures taken by Chuanmei Mirabilite regarding noise control include the use of low noise equipment (mufflers), process snubbers, and sound-deadening insulation and the provision of earplugs to all employees working in areas exposed to higher noise levels. BOYD is of the opinion that those measures are in line with general industrial practices and are effective in reducing noise levels.

Following this page are:

Figures

- 3.1: Illustrative Layout Production Cell
- 3.2: Illustration of Production Drilling Within Cell Areas
- 3.3: Selected Photographs, Dahongshan Underground Mine Operation
- 3.4: Dahongshan Processing Plant, Schematic Diagram







Dahongshan Processing Plant

FIGURE 3.3
SELECTED PHOTOGRAPHS
DAHONGSHAN UNDERGROUND MINE
OPERATION

Prepared For
LUMENA RESOURCES CORP.



John T. Boyd Company

May 2009



Dahongshan Processing Plant
Bagging Area



Dahongshan Processing Plant Storage Area

FIGURE 3.3 - Continued



Dahongshan Power Plant Turbine Room



Access/Hoisting Downdip Roadway Into
Production Cell Under Development

FIGURE 3.3 - Continued



Manual Loading of Shot Ore
Roadway Drivage Face Operation



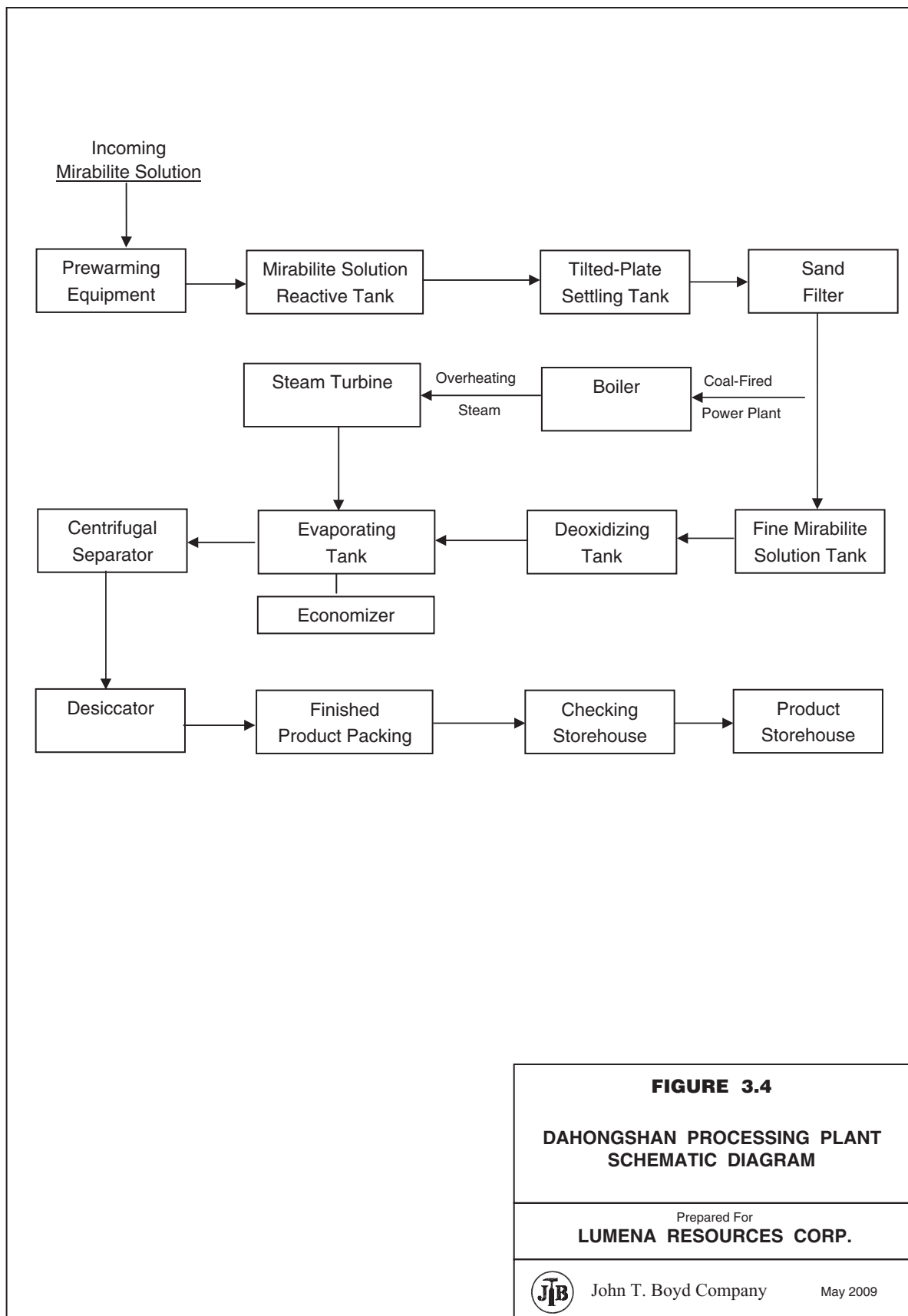
Underground Mirabilite Pipeline System
Note Dual Pipeline Discharge Pipes from Production Cell

FIGURE 3.3 - Continued



Dahongshan UG Mine Main Roadway

FIGURE 3.3 - Continued



4.0 PRESENT OPERATIONS OF GUANGJI

4.1 Introduction

Chuanmei Glauber Salt operates the Guangji Mirabilite Mine (Guangji) located approximately 22 km west of Meishan City, Sichuan Province, adjacent to Guangji Township. Mine preparation and construction work at Guangji commenced at the end of 2006. Beginning in November 2007, the mine began to supply Mirabilite solution to the processing plant. A more advanced mine development method is used at Guangji, which employs a roadheader (to replace traditional drill and blast operation in main roadway construction). This mechanized approach, compared with drill and blast techniques, improves the rate of advancement in the main roadway development significantly. A combination of underground and solution mining methods is used to produce the Mirabilite. Solution mining is employed after the solution cells are developed by drill and blast method.

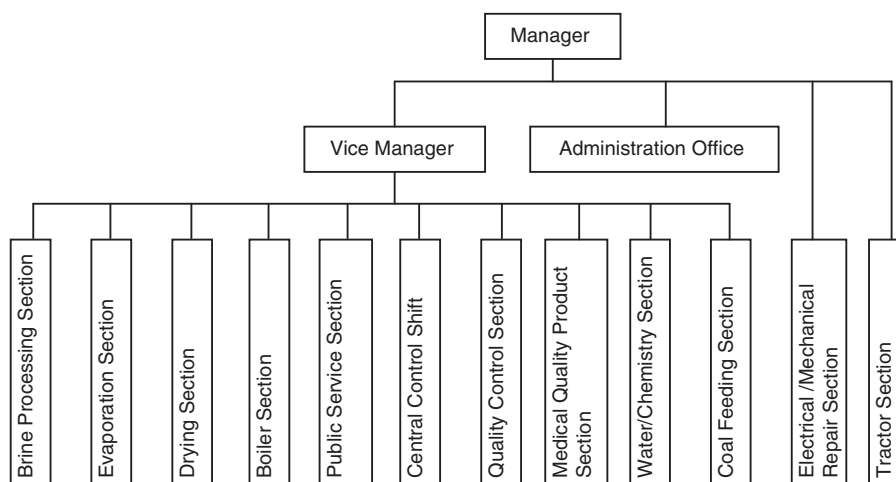
Off-site transportation infrastructure at Guangji area is well developed. The Chengdu-Kunming Railway passes the east side of this area and the Meishan Railway Station is approximately 11 km away by road. The Meishan-Hongya Highway runs through the mine area. The distance from Guangji to Chengdu is approximately 81 km, and to Chengdu Shuangliu Airport, approximately 66 km.

BOYD personnel visited the mine site and processing facilities on January 25, 2008 to review the progress of construction work, including the incline accesses and completed an underground mine tour on March 3, 2008. BOYD subsequently visited the Guangji facilities during the period June 4–7, 2008.

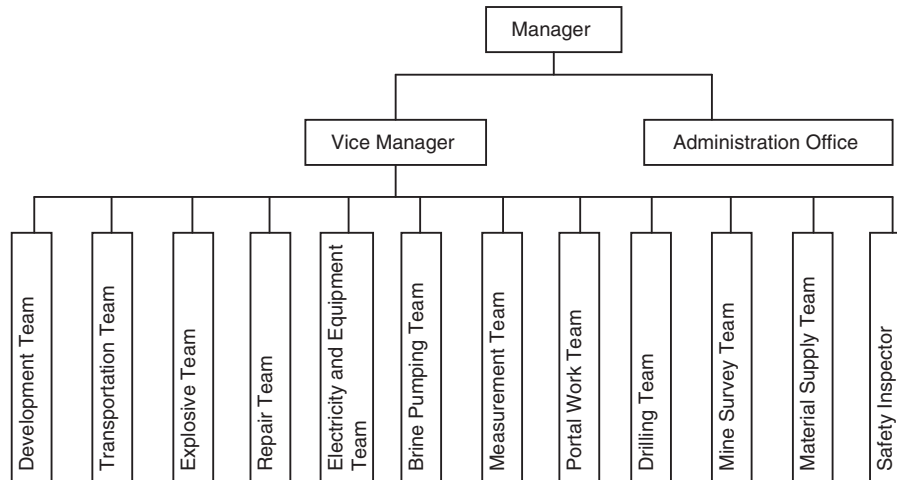
4.2 Management Structure

Chuanmei Glauber Salt, which operates Guangji Mine and processing plant, and Chuanmei Mirabilite, which operates Dahongshan Mine and processing plant, share the same general management. Guangji operation has its own mine/plant management staff on-site.

The management of Guangji processing plant and power plant is illustrated below:



Management of Guangji Mine is illustrated below:



4.3 Site Operating Statistics

The site operating schedule is based on three 8-hour shifts per day, 7 days per week, and an average of 330 work days per year. Underground roadway drivage is scheduled at two shifts daily. The daily ore hoisting time is designed to be 16 hours. As of December 31, 2008, Lumena reported employment at 874 personnel for both Guangji and Muma operations.

<u>Work Area</u>	<u>Number of Employees</u>
Management	46
Mine	476
Processing Plant	225
Power Plant	127
Total	874

The mine personnel are distributed by general work areas as follows:

<u>Work Area</u>	<u>Number of Employees</u>
Development Crews	247
Transportation System	105
Maintenance	12
Electrician & Mechanic	40
Brine Pumping	13
Safety Inspection	5
Portal	3
Detonator & Explosive Storage	6
Drilling	25
Survey	7
Material	4
Other Labor	2
Supervision (Managers)	5
Total	414

Two roadheaders are employed in the development of part of the service incline and main roadways. Conventional drill and blast are practiced in solution cell development (entry excavation), which is labor-intensive. Individual crews completing solution cell development total approximately eight personnel, including workers performing drilling, blasting, loading of the shot ore, etc.

In 2008, Guangji produced 930 Kt of Thenardite products.

4.4 Guangji Underground Mine

4.4.1 Physical Mining Conditions

The mining and Mirabilite production is designed in the Nos. 2 and 1 beds zone, which is the thickest and technically the most favorable of the available Glauberite zones. The combined Nos. 2 and 1 beds average 10.4 m in ore thickness within the active mining areas and are separated by a rock parting that averages 20 m. The composite grade of Mirabilite for the areas being mined is about 35% to 40% of Na_2SO_4 .

The mine water inflow rates of the Dahongshan Mine, 14,400 m^3/day maximum and 9,600 m^3/day on average, were used in selecting pumping equipment. The current monitored underground water inflow rate is about 4,800 m^3/day . The ground water is collected and enters into the underground water circulation system which is used for ore dissolving.

Guangji Mine is located on the southwest flank of the Xiongpo anticline. The Glauberite beds dip to the southwest with the dip gradually decreasing from 25 degrees to 9 degrees along the dip direction. Depth of mining to the current active mining area ranges from 250 to 290 m.

In geologic terms, the site's geology is categorized as simple. The floor and immediate roof strata are typically sandy clay or clayey siltstone with little fracture and are stable without roof support. Based on BOYD's underground observations and exploration data, roof support in Guangji Mine is unlikely to be needed in most areas which are developed. In certain essential locations, some props and beams are used as a precautionary measure to support the roof. The main transportation roadways and main air return roadways are supported by reinforced shotcrete. No roof deformation and entry stability issues were observed during BOYD's site visits.

The insoluble non-ore material has a coefficient of expansion of 1.3 to 1.4 when exposed to water. This swelling or bulking factor fills the void left in the production cells after recovery of the mirabilite (dissolved sodium sulfate solution, $\text{Na}_2\text{SO}_4 \cdot 10 \text{ H}_2\text{O}$) and minimizes or prevents subsidence of the overlying strata. In addition, there are no major surface features or developments (e.g., water bodies, villages, railways, etc.) above the mine area and the mining depth is generally more than 150 m. Therefore, the mining activity is projected to have little effect on the surface.

Gases produced from the blasting operation are diluted and removed by the mine's ventilation system. The projected ventilation air volume at the early stage of mining is 62 m^3/s and will be increased to 75 m^3/s as the mining area expands. The beds are not reported to have gas emissions during development.

4.4.2 Access

Access to the underground mine is provided by three inclines, as shown below.

Incline	Length, Incline Angle	Designed Use
Main	837 m at 23.5°	Intake fresh air, solution pipelines and cables, ore hoisting by belt conveyor, travel way for mine personnel.
Service	764 m at 23.5°	Intake fresh air, equipment and material transportation, travel way for mine personnel.
Air Return	619 m at 25°	Air return, pipeline for clean water.

The inclines are located in the northwestern part of the mining right area. Processing and other mine surface facilities are located near these mine openings. Underground mined Glauberite from roadway drivage and solution room development is transported to the Main Incline and hoisted to the surface. Glauberite is deposited on the surface, leached with water and the Mirabilite solution returned by pipeline to the underground Mirabilite handling system.

During BOYD's underground visit on March 3, 2008, the incline construction had been completed, although the service and ventilation inclines were under minor repairs and final finishing. The floor of the service and air-return inclines had not been paved. Rails weighing 22 kg/m at 600 mm gauge were installed in all three inclines. Temporary auxiliary fans are used for ventilation prior to completion of the ventilation system.

A 2JTP-1.6 model winch was installed in the main incline; a 2JK-2 model winch and a winch monitoring system were installed in the service incline. Installation of pipelines and cables in the ventilation incline were completed.

A roof fall occurred in the air-return incline on March 2, 2008. There were no injuries reported for this roof fall. The roof fall occurred before the permanent opening support was installed. A detailed plan for cleanup and support at this area was developed after the roof fall occurrence. BOYD reviewed this plan, and in our opinion, it is prudent in terms of safety and practicability. BOYD suggests that support should be installed as soon as practical once the incline is excavated to reduce exposure time of the unsupported area. BOYD is of the opinion that roof falls during incline development are not unusual and do not affect the future long-term operation of the mine. Once the area of the fall is cleaned up and repaired and permanent support is properly installed, we expect the area will remain stable.

4.4.3 Mine Layout and Mining Practices

Guangji Mine employs a room solution mining technique which includes a combination of room-and-pillar underground mining practices with solution recovery of the soluble ore within designed 300 m x 145 m production cell or block areas. The solution cells are in the No. 2 bed. The basic sequence of mining includes:

- Beginning from the incline bottom, the initial main air-return roadway and main transport roadway are developed on strike (i.e., horizontal) at selected 280 m and 240 m levels using two roadheaders. Main roadways are a nominal 3.0 m wide x 2.7 m high in cross section and driven on the bottom of the No. 2 ore bed. Two roadheaders are used in developing the main roadways. The advance rate of a roadheader section is 15 to 20 m/day, or 450 to 500 m/month. Single narrow gage rail (600 mm, 33 kg/m) is laid in the transport roadway for movement of 1 tonne capacity ore cars and 2 tonne side-dump ore cars pulled by trolley locomotive. The mine is equipped with three trolley locomotives, two active and one standby.

- At the designated solution cell location, a dip entry at the No. 1 ore bed, 95 m in length and 25 degrees in dip angle, is driven first to connect the lower (240 m level) main transport roadway and the upper (280 m level) main air-return roadway. Single narrow gage rail is laid in this dip entry, which serves as the transportation entry to remove shot ore during the development of the openings within the cell. A series of dip roadways parallel to the dip entry, on nominal 25 m centers and 2.7 m wide x 2.0 m high, and horizontal crosscuts, on nominal 22 m centers and 4.0 m wide x 2.4 m high, are driven, resulting in a series of solid pillars remaining (12 pillars per row x 5 rows = 60 pillars per cell). See Figure 4.1, following this text. The planned advancing rate for development is 80 m/month for dip roadways and 150 m/month for horizontal crosscuts. Once fully developed a typical cell will have a series of six horizontal roadways and 11 dip entries. Barrier pillars, 15 m wide between the cell and the upper main air-return roadway and 20 m wide between the cell and the lower main transport roadway are left, with nominal 30 m wide pillars (barriers) left on the two remaining sides of the cell. Including the main roadways and the railed dip entry, approximately 3,400 m of roadway must be driven for each 300 m x 145 m solution cell. This equates to 75,000 tonnes of mined material (ore and rock). Pipelines for future water injection (top of cell) and extraction of the Mirabilite solution (downdip corner of cell) are installed.
- After the roadways and crosscuts are developed, high density angle drilling is completed along both sides of the horizon cross cut entries. Holes are spaced 1.0 m apart, with rows in 1.0 m spacing, and extend 6 to 10 m into the ore body. The depth of individual drill holes varies depending on thickness of the ore layers and the angle of drilling. Five deep-hole drills are equipped for each cell development. Upon completion of drilling, holes are loaded with explosives and the cell area shot. Average powder factor (explosive usage) is 0.294 kg of explosives per tonne of ore.
- After the ore body within a solution cell is rubblized, clean water is injected into the cell area to dissolve the ore. When the concentration level reaches 25° Baumé, the Mirabilite solution is removed and enters the mine's Mirabilite pipeline system for transport to the surface. The cells can be recharged with freshwater and the process is repeated. The operating life of individual cells is three to five years. Over time, the recoverable ore is depleted. If the concentration is too low, pumping will be paused to allow more retention time so the Mirabilite dissolves until the concentration climbs back. When the concentration drops to 10° Baumé and fails to reach a higher level, the solution is circulated to a newer mining block. The concentration of the solution is routinely monitored underground.
- A closed loop circulation is used for Mirabilite removal. On the surface and located beside the processing plant there is a 400 m³ recycling water pool. Water is pumped from here through pipelines laid in the main incline and ventilation incline to underground solution cells. The Mirabilite solution from production cells is collected in the central underground solution sump where two 800 kW pumps (one active and one standby) are used to pump the mirabilite solution to surface and processing plant. Water released during processing is routed to the recycling water pool and reused for ore dissolving. Based on the designed 1.0 Mtpa Thenardite producing capacity, about 4.0 million m³ Mirabilite solution at 25° Baumé concentration is needed each year, or 12,122 m³ water is needed daily for ore dissolving.
- The planning sequence of mining extracts Mirabilite from the No. 2 bed first, followed by the No. 1 bed. The designed Thenardite output could be reached by running two producing cells in the No.2 bed and three producing cells in the No. 1 bed.

4.4.4 Mine Services

Electricity used at Guangji Mine is sourced from a dual-circuit power supply system installed in April 2008 from a public power supply from the nearby Guangji Town 35/10 kV transformer station 2 km away, which distributes power at 10 kV to the mine's substation. At the mine's main substation, power from Guangji Town transformer station is distributed to various transformer substations. The underground power has four utilization voltages, i.e., 10 kV, 1,140 V, 660 V, and 127 V. Voltages for surface use are 10 kV and 220/380 V.

Water for industrial and residential use is sourced from the nearby Yangshuinan Reservoir. This water must be treated for residential uses. Ground water flowing into the mine via the inclines is collected and stored in a series of sumps (capacity of 4,200 m³). The diameter of the steel pipes used for water supply is 160 mm in the service incline, 100 mm in the main roadways, and 50 mm in the production cells under development. Three 710 kW pumps are used to pump the mine inflow water from the underground sumps to the 400 m³ capacity surface tank. This water is used for surface leaching and underground spray (dust suppression) purposes.

The underground mine's central ventilation system is an exhaust system using the main and service inclines as fresh air intakes and the ventilation incline as the return air facility. During the early phases of operation, approximately 3,540 m³/min of return air exits the mine via the fan drift connection to the ventilation incline. Air volume will increase to 4,260 m³/min later. Brattice cloth is used underground to direct air flow into cell areas following blasting to dispel gases. Smaller axial flow ventilation fans (120 kW and 22 kW) are also used underground to dilute the smoke and dust after each blasting shot. Based on the mine layout, BOYD suggests a second return air incline may be required as the mine advances into the deeper areas of the mine to reduce airflow resistance caused by excessive distance.

Underground transportation systems are designed for movement of man, materials, mined ore and Mirabilite solution. According to the mine design, an overhead staff-riding system (overhead tram) is to be installed in the service incline. Once underground, personnel walk to their assigned work area. The main incline is equipped with a 800 mm wide conveyer belt system for ore transport to the surface and a winch system (110 kW with a 1.6 m diameter hoisting drum) for pulling mine cars up the incline.

A small mechanized (electrical powered) loading machine is used to remove the shot ore from the development headings and place it into the 1 tonne railcars. Mirabilite solution enters the underground pipeline system directly from the production cells and is pumped to the Glauber's salt sump located at the bottom of the main incline. The solution is then pumped up the mine main incline to the Mirabilite processing plant located on the surface.

The authorized underground explosives magazine is located 25 m from the service incline bottom. It was designed to store 400 kg of explosives, which is about the amount used in one day.

4.4.5 Mine Safety

New workers are trained at the mine before starting any work either underground or on the surface. Safety regulations and proactive measures are in place covering major working procedures. Special workers like shot lighters and equipment operators hold the relevant qualification certificates by the administration department after passing the relevant qualification exams. The roadheader operators are trained on-site by the equipment manufacturer for one month. The safety and professional health measures stated in the Preliminary Design Report of Guangji Mirabilite Mine are prudent and follow Chinese and international general underground mining practices. Lumena reported only one minor injury case at Guangji Mine in 2008.

4.5 Mirabilite Processing

4.5.1 History

The Guangji processing plant was completed in November 2007.

The processing facility is currently served by one 7,000 kW, coal-fired boiler which generates electricity and steam for plant and facility consumption. Lumena reported that power generation from the generator is sufficient for the processing plant usage and the remaining power is used by Guangji Mine. The Guangji facility has the option to purchase power from the local high voltage grid at 117,000 kW. The Guangji plant was fully functional and operational with a minimum of start-up and debugging problems according to our discussions with plant management. Utilizing current quality control processes and programmable logic controller (PLC) automation, the product(s) is packaged and transported to the shipping bays in one of four automated, technologically advanced packing and shipping lines and can be pre-packaged in a number of sizes by weight to suit individual customer requirements for the specific product.

The designed plant capacity is 1.0 Mtpa of Thenardite product (anhydrous sodium sulfate, Na_2SO_4). The Guangji plant has a designed capacity over 60% greater than the second largest facility of its type, the Quimica del Rey plant of Grupo Penoles, which is located in Laguna del Rey, Coahuila State, Mexico, which has a reported capacity of 620,000 tpa of sodium sulfate and reportedly produced 618,000 tonnes of anhydrous sodium sulfate in 2008.

4.5.2 Process

Lumena has been able to combine the technology of its equipment suppliers into its production facility in the Guangji Mining Area. The process at Guangji is similar to the process employed at Dahongshan except for the reverse recirculating and balance circuits. Brine (Mirabilite solution) from the mine is pre-treated prior to introduction to the heat exchangers to remove impurities, principally calcium sulfate (CaSO_4), evaporated to precipitate sodium sulfate (Na_2SO_4), and centrifuged and dried (at 45° C) to remove water before the Thenardite product is transferred to the packaging plant (see flowsheet of Dahongshan Plant, Figure 3.4, following last section).

The brine from the underground production cells is pumped to the surface from a 10,000 m³ capacity underground surge tank to a series of pretreatment tanks and initially flows through a steam heat exchanger before entering the reactor for calcium treatment. A reagent, e.g., soda ash (sodium carbonate, Na_2CO_3) and caustic soda (sodium hydroxide, NaOH) is added at a metered rate for calcium removal. The treated brine is then pumped to a settling tank where solids are removed. The brine is then pumped through a series of sand filters for removal of suspended particles before passing into a solution tank for process control. At this step, a metered quantity of concentrated pre-heated and pre-treated brine solution is first introduced into the system. After mixing, the solution is deoxidized using a vacuum system. Following vacuum deoxidizing, the solution is introduced to the evaporation circuit.

Five steam evaporators in series are used for water removal and increased concentration of the sodium sulfate. The steam evaporators use secondary heat recovery from the coal-fired generating station's steam turbine. The evaporation system facilitates more efficient heat utilization, thereby reducing energy consumption and decreasing costs. At various stages in the evaporator circuit, additional injections of concentrated and treated brine are introduced to the solution. After passing through the evaporators, the concentrated product stream is pumped to cyclones for initial dewatering and further concentration. The product is then centrifuged and desiccation dried in hooded fluidized bed recirculating steam dryers for final removal of moisture. Specialty Thenardite is produced in Guangji with different customers' specifications.

Lumena upgraded the hoisting system at Guangji Mine in 2008. During the upgrading (June to December 2008), part of the brine needed at the Guangji processing plant was supplied by Dahongshan Mine. BOYD was informed that since January 2009, Guangji Mine has been capable of supplying all the brine needed by Guangji plant.

4.5.3 Packaging

The Thenardite product(s) is conveyed from the desiccators after drying and stored in designated overhead bins based on quality and size prior to the packaging operation. A specific quality and/or size can be packed independently of the other product(s). The process is automated, with a metered discharge rate from a load cell valve-controlled to fill poly-woven bags (with plastic liners). After filling, the bags are belt-conveyed to a heat shrink station which seals the plastic liners and then to an automated sewing station which stitches shut the poly-woven bags. The bags are then mechanically directed to one of four product discharge conveyor lines for immediate shipment or to a designated warehouse location based on product size and quality for interim storage. Shipments are dispatched from the covered warehouse to customers or distribution centers by conveyor to truck. Bulk shipments of anhydrous sodium sulfate can be accommodated using one of two bulk loading stations located in the interior of the warehouse. Approximately 8 to 12 people per shift are involved in the packaging and warehousing operation.

4.5.4 General Comments

The process circuitry at Guangji employs “reverse circulation consistent concentration balance.” This technology was developed in-house under the technical and commercial guidance of Chuanmei Glauber Salt’s technical advisor. In this process, a constant amount of a pre-set concentration of the pre-heated and reagent-treated brine ($\text{Na}_2\text{SO}_4 \cdot 10 \text{H}_2\text{O}$) is continuously recycled back into the system. According to Chuanmei Glauber Salt’s management, this process circuitry has several distinct advantages over more conventional brine extraction processes, such as the system employed at Dahongshan.

The key design features and process technology improvements have the following features and benefits:

- The stability of the crystalline compound is increased, as is the ability to control the structure and size of the crystal which is essential for commercial production of specialty Thenardite. This results in improved marketability of this product to specific industrial consumers, in particular the medical market.
- The process design employed at Guangji provides for greater energy efficiency. According to management, the typical energy savings per tonne of anhydrous sodium sulfate produced at Guangji is approximately 20 kWh as compared to Dahongshan, or about 33% per tonne of product.
- The process circuitry provides a higher recovery of sodium sulfate by maintaining consistent concentrated levels of the recirculated treated brine interacting and mixing with the pre-treated inflow.
- There are operational advantages in greater process control by utilizing this particular circuitry.

Process vessels and tanks, evaporators, centrifuges, cyclones, and desiccation dryers were designed and constructed of superior anti-corrosion materials to combat the corrosive nature of the product. Titanium was used throughout the process circuitry (heat-exchangers, evaporators, process piping, and desiccation dryers) to minimize heat loss and provide superior energy efficiency. Auxiliary equipment such as pumps, process control valves, instrumentation, solution tanks, mixers, the reagent system, electrical, and piping runs are well designed and efficiently laid-out. Wash-down channels and spill protection runways are designed effectively to prevent accidental spills and discharges into the environment. BOYD opines that observed housekeeping practices in the plant are excellent and the facility is free of litter, debris, and waste materials.

Process steam and plant electricity are produced on-site by a 7,000 kW coal-fired boiler and generating plant. Coal handling and ash disposal are facilitated by modern materials handling equipment and were designed and constructed in an environmentally sound manner.

The installed process system incorporates five independent circuits similar to Dahongshan, two of which are the recirculating and balance circuits that provide the basis for the high energy efficiency, process control, and crystal formation time. The plant uses a closed loop circulation system, thereby eliminating untreated process water being discharged to the environment. All process water is both pre-treated prior to introduction to the system and post-process treated. There is no discharge of untreated process water to the environment.

The processing facility has operated safely and shown higher efficiency than older processing facilities. It is of BOYD's opinion that the Guangji production facility will be capable of producing 1.0 Mt of Thenardite in 2009 and 2010. Approximately 0.93 Mt Thenardite products were produced at Guangji in 2008.

4.6 Environmental Protection

4.6.1 Regulatory Guidelines

The following governing environmental protection requirements are adopted for the Guangji site operations:

- Guideline for Environmental Protection Design of Construction Project, (87) China Environment No. 002.
- Guideline for Metallurgical Industry Environmental Design (YB9066-95).
- Sichuan Province Atmosphere Pollution and Drainage Standard.
- Sichuan Province Pollution Material Drainage Standard, DB51/190-93.
- Technique Enterprise Plant Boundary Noise Environment Standard (Industrial Area), BG12348-90.

4.6.2 Environmental Quality Status

The general mine site by its inherent nature has affected the environment in terms of surface facility construction (land use) and disposal and processing of mined ore on the surface near the entrance to the Guangji Main Incline. Chuanmei Glauber Salt has taken proactive measures to protect the environment and to minimize any potentially negative impact on the environment. Environmental Impact Assessment Reports for Guangji plant and mine projects were filed with the provincial environment administration in 2007, and the approval notices were issued in February and April 2008, respectively.

4.6.3 Areas of Potential Environmental Impact

The potential impacts on the environment and the steps taken by Chuanmei Glauber Salt to avoid or minimize such impacts are discussed below.

4.6.3.1 Surface Subsidence

The high extraction of Glauberite ore during the room-and-pillar development, bulk blasting, and solution recovery operations in the underground mine create the possibility of mine roof collapse and resulting subsidence of the overlying surface. Chuanmei Glauber Salt conducts mining process strictly in accordance with the Non-coal Mining Safety Regulations and leaves sufficient underground pillars to support the surface. Guangji

management believes the potential for subsidence is mitigated by the inherent swelling characteristics of the nonsoluble strata occurring within and between the Glauberite beds (i.e., nonsoluble materials have a swell or bulking index of 1.3 to 1.4 when exposed to water). In addition, the mine workings located outside the immediate production cell areas are only mined to low level (percentage) of extraction. Large barrier and other support pillars are left intact to protect the integrity of the key roadway openings. The mine has also left the Glauberite resource areas underlying the mine's surface facilities and the villages of Guangji Township in place (unmined). Chuanmei Glauber Salt and Guangji Mine management report there has not been any evidence of ground fissures or other manifestations of surface subsidence within the surface areas overlying existing mine workings.

4.6.3.2 Solid Waste

ROM ore from the roadway drivages is hoisted to the surface at the Guangji Main Incline where it is placed in stockpiles and subjected to leaching with water to recover the mirabilite solution. The ROM ore material includes the mined Glauberite bed(s) and rock contamination, including rock between the beds and floor rock (to the extent that excavating a horizontal mine floor results in cutting into the rock strata under No. 1 bed). Approximately 10% to 15% of the ROM tonnage hoisted to the surface is rock contamination. Leaching will result in recovery of the Mirabilite from the stockpiled Glauberite ore. After processing, approximately 65% of the total tonnage of ROM material remains as residue to be disposed of on the surface. Thenardite recovered from the mined ore accounts for 5% or less of total product when the mine is in normal operating mode (i.e., mining is limited to extension of level roadways and production cell development in one ore zone). A small amount of slag is also generated from mirabilite refining process. At an annual production level of 1.0 Mt of Thenardite, the corresponding annual quantity of refuse disposal at the Guangji site is an estimated 520,000 tonnes.

The Guangji ore refuse disposal area reportedly has sufficient capacity to meet the requirement of mine operating life. Ore and slag material is disposed of on a large hill, which will be covered by loess (surface alluvial material), then planted with grass and trees.

4.6.3.3 Dust and Gas Generation

Airborne dust and waste gas are produced during underground operations: rock drilling, blasting of the ore in active roadway headings, and during handling and transport of the ROM ore. Limiting the generation and control of airborne dust are achieved by use of wet drilling, installation of water sprays at ROM ore handling stations, and dispersal by the mine's ventilation system. Workers loading shot ore from the active roadway headings are provided face masks to minimize dust inhalation. The processing facility is generally well kept and maintained. During our site inspections, we observed that very little mine and process waste is landfilled and that scrap and waste materials were properly recycled in accordance with current environmental requirements. Solid fuel (coal) and ash handling in the power plant is stockpiled and handled in accordance with current industry practices. Ash from the coal-fired power and steam plant is temporarily stockpiled in a designated area and subsequently sold to local cement producers for use in their manufacturing process. The above ground production plants adopt electrostatic precipitators and filter bag techniques to remove airborne dust. Lumena reported that a real-time monitoring system for the chimney at Guangji power plant was installed in 2008. BOYD is of the opinion that these measures are effective and the mine and processing plant operate in compliance with the relevant dust/gas emission and control requirements.

4.6.3.4 Waste water

Availability and use of clean water is critical to both the underground mining operation since Mirabilite is primarily recovered via solution action in the production cells and to the Mirabilite processing system. Water requirements are met from the inflow of ground water into the underground workings. It is our understanding that the entire operation does not discharge untreated waste water to the environment and the process water is

pre-treated to remove undesirable contaminants and to supply a uniform product to the process system. Post-process treatment of the water used during the Mirabilite recovery is utilized. All water used in the processing system both in-circuit and for washdown and cleanup purposes is collected and treated for reuse. There are no process effluents discharged into the environment using a waste water recycling system. All waste water generated from the production process is recycled underground to be used in Glauberite ore dissolution. It is BOYD's opinion, there are no material issues with waste water disposal.

4.6.3.5 Noise

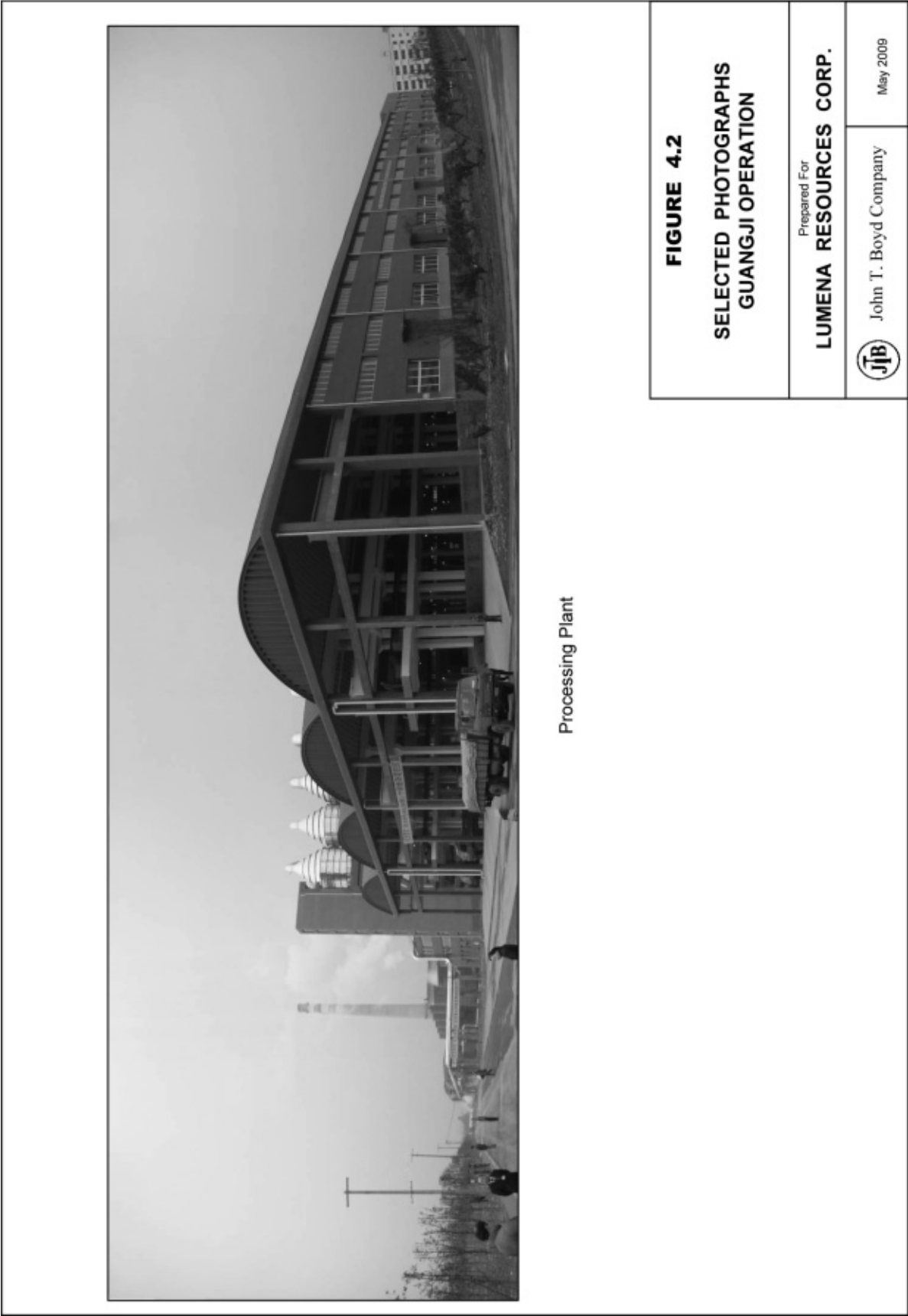
Noise is generated during the operation of equipment and machinery and during underground blasting operations. The Mirabilite processing facility incorporates pressure vessels, pumps, conveyors, and steam-operated equipment. Reasonable measures are taken by Guangji regarding noise control, including the use of low noise equipment (mufflers), process snubbers, and sound-deadening insulation and provision of earplugs to all employees working in areas exposed to higher noise levels. In BOYD's opinion these measures are in line with general industrial practices and are effective in reducing noise levels.

Following this page are:

Figures

- 4.1: Illustrative Layout Production Cell
- 4.2: Selected Photographs, Guangji Operation





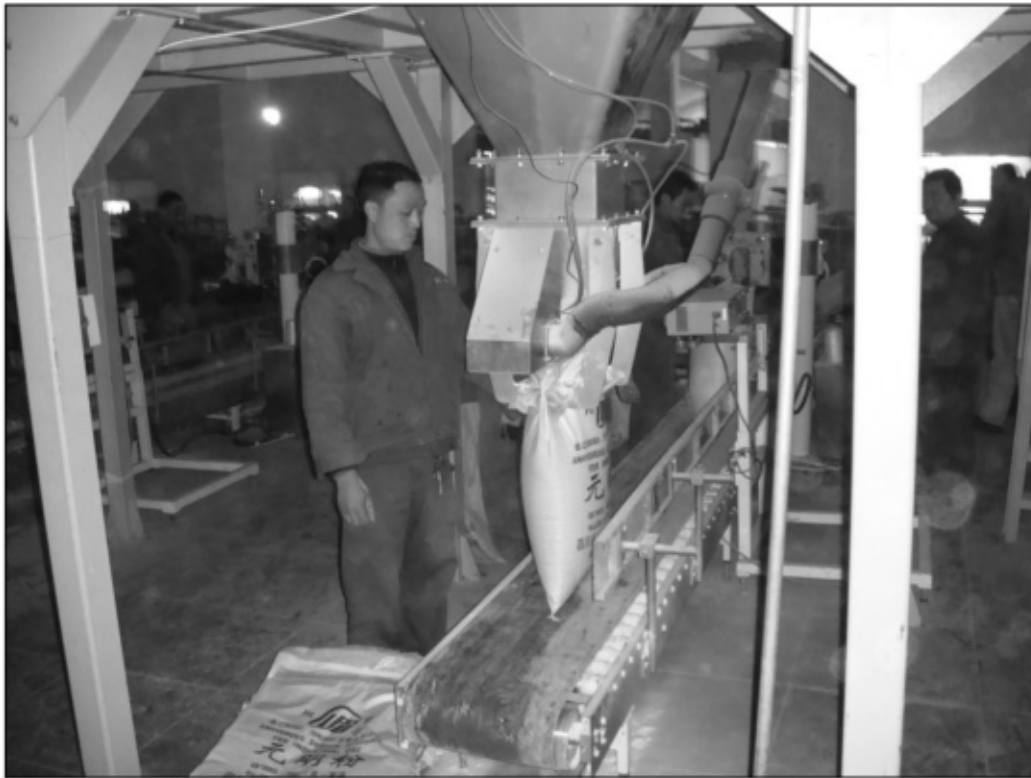


Power Plant/Water Treatment Facilities



Control Room of Power Plant

FIGURE 4.2 - Continued



Processing Plant Bagging Area



Bagged Product Storage Area

FIGURE 4.2- Continued



Main Incline



No. 3 Incline (developed by Roadheader)

FIGURE 4.2- Continued



Roadheader



Main Roadway

FIGURE 4.2- Continued



Pit Bottom

FIGURE 4.2- Continued

5.0 PRESENT OPERATIONS OF MUMA

5.1 History

Muma Mirabilite Mine (Muma) located approximately 11 km northeast of Pengshan County, Sichuan Province, is currently operated by Chuanmei Glauber Salt. The Chengdu-Kunming Railway, Chengdu-Leshan Express Way, and the Min River pass by the west side of the mine area. The distance from Muma to Chengdu is approximately 60 km and to Chengdu Shuangliu Airport, approximately 45 km.

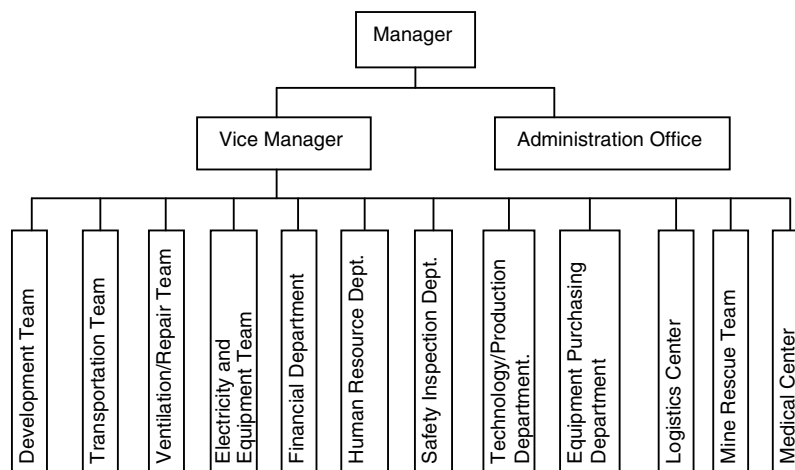
The mine was first constructed and put into production in 1997. At the time of acquisition by Chuanmei Glauber Salt in September 2007, the production capacity was 0.3 Mtpa. Under the current mining right certificate, Muma is authorized to mine the No. 2 (too thin to mine) and Nos. 1 and 3 Glauberite beds.

Chuanmei Glauber Salt has successfully expanded the mining right area to 3.6971 km² and plans to increase the Thenardite output to 1.2 Mtpa in 2010. The old processing facilities were demolished and the new 0.2 Mtpa and 1.0 Mtpa processing plants will be constructed in 2009 and 2010, respectively.

Production of Mirabilite employs a combination of underground mining for roadway and other entry development with solution mining employed after the solution cells are developed by drill and blast method. Because Muma's 0.2 Mtpa processing plant will not be finished until the end of 2009, only solution cell development work is currently being conducted underground. BOYD personnel visited the mine on January 26, 2008.

5.2 Management Structure

According to the FSR of Muma Mine and the processing plant, proposed management of Muma is illustrated below:



It is proposed that after the construction of the new processing plant and other surface facilities are completed at Muma, the current manager will oversee the operations.

The Muma workforce is currently based at Guangji, which shares staff with Muma.

5.3 Site Operating Statistics

Only limited historical data are available. Prior mining was conducted in the No.3 Glauberite bed and above the 294 m elevation. Five cells in No.3 bed had been mined at Muma. The solution cells measured 80 m x 120 m with 10 m barrier pillars between cells.

An FSR and a PDR, both finished by Chuanmei Mirabilite, were provided to BOYD. Based on our experience and understanding, a qualified design institute is required to officially issue such reports for such documents to be submitted to the government to support a mining right application. BOYD team was advised that Lumena would hire a qualified design institute to review the design and to issue a PDR.

5.4 Muma Underground Mine

5.4.1 Physical Mining Conditions

Prior to 2008, the mine operated in the No. 3 bed zone, which is the authorized Glauberite bed to be mined. The No. 3 bed averages about 5.9 m in ore thickness within the active mining areas. The mining right certificate granted to Chuanmei Glauber Salt covers the Nos. 1, 2, and 3 beds and expands the area to 3.6971 km².

Production cells in No. 3 bed within the elevation range of 305 to 285 m at Muma are being developed. The mine currently does not perform any mirabilite solution pumping. The original two inclines accessing the mine will be used in the new mine design. BOYD representatives entered the underground mine during the site visit using the existing service incline for observation of the mining conditions and operations.

While the underground mine workings are generally dry, about 274 m³/day of ground water enters the mine from the existing main and service inclines, which are driven from the surface, through the alluvial material (source of the ground water inflow) and into the underlying Glauberite-bearing bedrock. The ground water is collected and pumped to the surface and discharged. BOYD projects that higher ground water inflow is expected when the new main incline is developed.

Average dip of the Glauberite beds is approximately 3 degrees to the southwest. Depth of mining to the current active mining area is (No. 3 bed) is approximately 180 m.

The mine floor and immediate roof strata typically fall into the Category “Va” type (medium strong). During the BOYD team site visit, we observed that the roof was stable and no support was required in most areas. In some critical locations such as where equipment was installed, timber props and beams were used to support the roof. Indications of pillar stress were not observed by BOYD during our underground tour of the mine.

The insoluble non-ore material has a coefficient of expansion of 1.3 to 1.4 when exposed to water. This swell or bulking factor reportedly fills the void left in the production cells after recovery of the mirabilite (dissolved sodium sulfate solution, Na₂SO₄ • 10 H₂O) and serves to minimize or prevent subsidence of the overlying strata. No formal survey of subsidence survey has been completed, but no indication of surface subsidence was reported by site management.

No harmful gases are emitted from the Glauberite strata during underground roadway development. Gases produced from blasting operations are diluted and removed by the mine’s ventilation system. The projected ventilation air requirements for underground operation are approximately 59 m³/s in the initial period and 74 m³/s when additional underground areas are mined.

5.4.2 Access

Access to the underground mine is provided by two existing inclines and one new main incline is to be constructed. The original main incline will be used for air return purposes, as shown below.

Inclines	Length, Incline Angle	Planned Use
Main (to be constructed)	600 m at 23°	Intake fresh air, ore and material hoisting by conveyor belt, Mirabilite pipelines and cables
Service (existing, main incline)	320 m at 27°	Intake fresh air, travel way for mine personnel, track laid for material transportation
Ventilation (existing, service incline)	292 m at 28°	Air return, clean water supplying pipelines

The service and ventilation inclines are spaced about 140 m apart and located in the southern part of the mining right area. The new main incline will be located in the northern part of the mining right area. Muma plans to commence construction of the main incline in January 2010, with completion projected in July 2010. The cross section is 5 m in width by 3 m in height for a 15 m² area. The incline will be supported by concrete lining. Underground mined Glauberite from roadway drivage and solution room development is transported to the main Incline and hoisted to the surface. Glauberite is deposited on the surface and leached with water and the Mirabilite (solution) is returned by pipeline to the underground Mirabilite handling system. According to the mine design, the surface ore pile will be located in the valley beside the service incline. BOYD personnel observed that some concrete ducts were being installed along the valley bottom, which, according to Muma management, is for dewatering during raining seasons.

5.4.3 Mine Layout and Mining Practices

Muma Mine employs the same mining technique used at Dahongshan and Guangji, i.e., a room solution mining technique that includes a combination of room-and-pillar underground mining practices with solution recovery of the soluble ore within production cell or block areas. Nominal dimension of 240 m x 120 m is typical for Muma's production cell. At the time BOYD visited the mine, the cell development work was along the 294 m elevation section. One solution cell had been fully developed, while two cells were under development. All development was in the No. 3 Bed. According to the mine design, the ore bed is divided into 10 mining levels with roadways in each level driven parallel to the strike with subsequent levels developed downdip at a typical elevation interval of 5 to 7 m. The basic sequence of mining includes the following procedures:

- Beginning from the incline bottom, the initial main air-return roadway and main transport roadway are developed on strike (i.e., horizontal) at selected 320 m and 328 m levels using two roadheaders. Main roadways are a nominal 3.0 m wide x 2.7 m high in cross section and driven on the bottom of the No. 3 ore bed. Single narrow gage rail (600 mm, 15 kg/m) is laid in the transport roadway for movement of 1 m³ capacity ore cars pulled by trolley locomotive. The mine is equipped by three 10 tonne trolley locomotives, two being active and one standby.
- At the designated solution cell location, a dip entry along the No. 3 ore bed, 120 m in length and 3 degrees in dip angle, is driven first to connect the lower (320 m level) main transport roadway and the upper (328 m level) main air-return roadway. Single narrow gage rail is laid in this dip entry, which serves as the transportation entry to remove shot ore during the development of the openings within the cell. A series of dip roadways parallel to the dip entry and horizontal crosscuts, on nominal 20-m centers and 3.5 m wide x 2.8 m high, are driven, resulting in a series of solid pillars (12 x 6 = 72) remaining. (See Figure 5.1, following this text.) The advancing rate for development is

estimated by Lumena at 80 m/month for dip roadways and 150 m/month for horizontal crosscuts. Compared with Guangji, the dip of ore beds is much gentler, and it is BOYD's opinion that the driving speed of dip roadways should be about the same as that of horizontal crosscuts (150 m/month). Once fully developed, a typical cell will have a series of six horizontal roadways and 12 dip entries. Barrier pillars, 10 m wide between the cell and the upper main air-return roadway and 15 m wide between the cell and the lower main transport roadway, are left, and nominal 25-m-wide pillars (barriers) are maintained on the two remaining sides of the cell. Including the main roadways and the railed dip entry, approximately 2,700 m of roadway must be driven for each 240 m x 120 m solution cell. This equates to about 70,000 tonnes of mined material (ore and rock). Pipelines for future water injection (top of cell) and extraction of the Mirabilite solution (downdip corner of cell) are installed.

- After the roadways and crosscuts are developed, high density angle drilling is completed along both sides of the horizon crosscut entries. Holes are spaced 1.0 m apart, with rows in 1.0-m spacing, and extend 6 to 10 m into the ore body. The depth of individual drill holes varies depending on thickness of the ore layers and the angle of drilling. Five deep-hole drills are equipped for each cell development. Upon completion of drilling, holes are loaded with explosives and the cell area shot. Average powder factor (explosive usage) is 0.294 kg of explosives per tonne of ore.
- After the ore body within a solution cell is rubblized, clean water is injected into the cell area to dissolve the ore. When the concentration level reaches 25° Baumé, the Mirabilite solution is removed and enters the mine's Mirabilite pipeline system for transport to the surface. The cells can be recharged with freshwater and the process repeated. The operating life of individual cells is three to five years. Over time, the recoverable ore is depleted. If the concentration is too lower, pumping will be paused to allow more retention time so the Mirabilite dissolves until the concentration climbs back. When the concentration drops to 10° Baumé and fails to reach a higher level, the solution is circulated to a newer mining block. The concentration of the solution is routinely monitored underground. The final Na₂SO₄ recovery from solution cell is estimated at 75%.
- A closed loop circulation is used for Mirabilite removal. On the surface and beside the processing plant there is a 400 m³ recycling water pool. Water is pumped from here through pipelines laid in the main incline and ventilation incline to underground solution cells. The Mirabilite solution from production cells is collected in the central underground solution sump where two 800 kW pumps (one active and one standby) are used to pump the Mirabilite solution to the surface and the processing plant. Water released during processing is routed to the recycling water pool and reused for ore dissolving. Based on the designed 1.0 Mtpa Thenardite-producing capacity, about 4.0 million m³ Mirabilite solution at 25° Baumé concentration is needed each year, or 12,122 m³ water is needed daily for ore dissolving.
- The planning sequence of mining extracts Mirabilite from the No. 3 bed first, followed by the No.1 bed. The designed Thenardite output could be reached by running 10 to 11 producing cells in the No.3 bed.

5.4.4 Mine Services

Electricity used at Muma is sourced from the Qinglong transformer station located 3 km away and will also be sourced from a proposed on-site 15 MW coal-fired power generating station. Public power (Qinglong transformer station) is distributed at 10 kV to the mine site's substation. At the mine's main substation, power is reduced to 380 V and 220 V for surface use. At the underground substation, incoming power is reduced from 10 kV to 1,140 V, 660 V, and 127 V for various uses underground. The construction period for the proposed power plant at Muma is projected to be five to six months.

Ground water flowing into the mine via the inclines is collected and stored in a series of sumps (1,968 m³) and pumped to surface by a 55 kW pump. The diameter of the steel pipes used for water supply is 160 mm in the service incline and 100 mm in the main roadways, and 50 mm in the production cells under development.

The underground mine's central ventilation system is an exhaust system using the main and service inclines as the fresh air intakes and the ventilation incline as the return air facility. The ventilation demand for underground operation is about 59 m³/s in the initial period and 74 m³/s later when more underground areas are mined.

The mine is equipped with two 45 kW fans to meet the ventilation requirement in the initial period which will be replaced with two 90 kW fans as mining operations expand and extend to greater depths. Brattice cloth is used underground to direct air flow into cell areas following blasting to dispel gases. Smaller axial flow ventilation fans are also used underground to dilute the smoke and dust after each blasting shot.

Underground transportation systems are designed for movement of man, materials, mined ore, and Mirabilite solution. Personnel will enter the mine by an overhead staff-riding system (to be installed later) through the service incline. Once underground, personnel walk to their assigned work area. The proposed new main incline will be equipped with an 800 mm conveyor belt system to transport shot ore from the underground workings to the surface.

Similar to Guangji operation, small loading machines will be used to remove the shot ore from the development headings and place it into the railcars. Mirabilite solution enters the underground pipeline system directly from the production cells and is pumped to the salt solution sump located at the bottom of the main incline. The solution is then pumped up the main incline to the Mirabilite processing plant located on the surface.

The authorized explosives magazine is located underground near the intersection of the 328 m main transport entry and the air-return connection. It was designed to store 400 kg of explosives and detonators for development usage.

5.4.5 Mine Safety

New workers will be trained at the mine before starting any work either underground or on surface. Safety regulations and proactive measures will be in place covering major working procedures. Special workers like shot firers and equipment operators are issued qualification certificates by the administration department after passing qualification exams. The safety and professional health measures stated in Muma Mine PDR are prudent and follow PRC and international general practices.

5.5 Mirabilite Processing

5.5.1 History

The Muma site was occupied by an old Mirabilite mine and processing facility reportedly dating from the 1930s. The entire facility, including existing processing equipment, process piping, conveyors, and infrastructure, was demolished. There was little evidence of the former plant during BOYD's site visit.

5.5.2 General Comments

A 0.2 Mtpa medical Thenardite facility is planned to be constructed at Muma in 2009. In addition, a processing system with 1.0 Mtpa capacity identical to the Guangji plant will be constructed in 2010. Management reported that the new Muma plant will have a capacity of 1.2 Mtpa of anhydrous sodium sulfate after completion of construction by the third quarter of 2010.

The key design features and process technology to be designed and implemented at Muma have the following features and benefits:

- The process design will provide for greater energy efficiency. According to management, the typical energy savings per tonne of anhydrous sodium sulfate produced will be approximately 20 kWh as compared to Dahongshan, or about 33% per tonne of product.
- The newly developed process will provide a higher recovery of sodium sulfate by maintaining consistent concentrated levels of the recirculated treated brine interacting and mixing with the pre-treated inflow.
- There will be operational advantages in greater process control by utilizing this particular circuitry.
- The stability of the crystalline compound will be increased, as will the ability to control the structure and size of the crystal, resulting in improved marketability of this product to specific industrial consumers, in particular the medical market.

Process circuitry design and equipment will follow that of Guangji plant and will provide economies of scale savings (as compared to Dahongshan and other smaller operations).

The Muma location is currently under construction and the preliminary scheduled completion date for the 0.2 Mtpa medical Thenardite facility is the end of 2009 and that for the 1.0 Mtpa facility is the end of the third quarter of 2010, with initial production commencing in the fourth quarter of 2010.

During our January 2008 visit, site preparation activities included installation of erosion, sedimentation and drainage control structures and the installation of a 2.0-m-diameter interlocked concrete diversion tunnel to re-route a natural surface drainage away from the planned facility area.

Major rehabilitation had begun on the two existing inclines. Each incline is approximately 300 m in length and driven at an angle of 27 degrees from the horizontal. Rehabilitation work observed during our site visit included the construction of a new service trackage and tipping area, installation of two new hoisting and drive mechanisms, and construction of a new maintenance and tool shop. The main inclines were inspected and found to be in good condition and well maintained. Incline construction consisted of a drilled and shot entry with poured concrete liner, access steps, and water control channels along its entire length and at appropriate points along the decline. The service rail had been worked on and several sections replaced. In some areas, the service steps needed additional repair and/or replacement. A new service incline is planned for future development, but work had not commenced at the time of our site visit.

5.5.3 Process

The Mirabilite recovery process at Muma will incorporate design features and modifications from the Guangji plant.

5.6 Environmental Protection

5.6.1 Regulatory Guidelines

Management reportedly has filed the Environmental Impact Assessment Report for the 0.2 Mtpa medical Thenardite project with the provincial environment administration and the approval notice was issued in April 2009. We expect Chuanmei Glauber Salt will adopt similar guidelines as those used at Dahongshan and Guangji.

5.6.2 Environmental Quality Status

The general mine site by its inherent nature and prior use has affected the environment in terms of surface facility construction (land use) and disposal and processing of mined ore on the surface near the entrance to the Muma Main Inclines. Chuanmei Glauber Salt has taken proactive measures to protect the environment, has cleared the debris from the area, and has acted to minimize any potential negative impacts on the environment.

5.6.3 Areas of Potential Environmental Impact

Areas of potential environmental impact and steps taken by Chuanmei Glauber Salt to avoid or minimize such environmental impacts are discussed below.

5.6.3.1 Surface Subsidence

The high extraction of Glauberite ore during the room-and-pillar development, bulk blasting, and solution recovery operations in the underground mine create the possibility of mine roof collapse and resulting subsidence of the overlying surface. Muma management believes the potential for subsidence is mitigated by the inherent swelling characteristics of the nonsoluble strata occurring within and between the Glauberite beds (i.e., nonsoluble materials have a swell or bulking index of 1.3 to 1.4 when exposed to water). In addition, the mine workings located outside the immediate production cell areas, are only mined to low level (percentage) of extraction. Large barrier and other support pillars are left intact to protect the integrity of the key roadway openings. The mine will leave the Glauberite resource areas underlying the mine's surface facilities and the village of Muma in place (unmined). Chuanmei Glauber Salt and Muma Mine management report there has not been any evidence of ground fissures or other manifestations of surface subsidence within the surface areas overlying existing and previously mined workings.

5.6.3.2 Solid Waste

ROM ore from past operations was restricted to the general area of the leach pad according to our observations. Following conventional methods employed elsewhere, the roadway drivage ore is hoisted to the surface and deposited on a prepared site for leaching. The Muma site had been cleared of this leach pad at the time of our inspection. It is assumed that a new leach pad area will be constructed for this purpose, as is the case at Guangji and Dahongshan. At an annual production level of 1.2 Mt of Thenardite, the corresponding annual quantity of refuse disposal at the Muma site is an estimated 630,000 tonnes.

The Muma ore refuse disposal area is located in a valley and is reportedly sufficient to accommodate all disposal material generated during the mine operating life. Ore and slag material is disposed of to fill the valley, which will be covered by loess (surface alluvial material), then planted with grass and trees.

5.6.3.3 Dust and Gas Generation

The Muma facility is not in operation and is currently in an early stage of development. For the purpose of this report, it is our knowledge and understanding that the appropriate precautions and measures in compliance with dust/gas emission and control requirements in the PRC taken at Dahongshan and Guangji operations will be implemented at Muma.

5.6.3.4 Waste water

Availability and use of clean water is critical to both the underground mining operation since mirabilite is primarily recovered via solution action in the production cells and to the mirabilite processing system. Water requirements are met from the inflow of ground water into the underground workings. It is our understanding

from discussions with Chuanmei Glauber Salt management that the planned operations and facilities to be constructed at Muma will follow the Guangji operation. Based on that discussion point, we assume that the Muma operation will not discharge any untreated waste water to the environment. In addition, like Guangji, all process water at Muma will be pre-treated to remove undesirable contaminants and to supply a uniform product to the process system. Post-process treatment of the water used during the Mirabilite recovery will be utilized. Water used in the processing system both in-circuit and for washdown and clean-up purposes will be collected and treated for reuse. According to the mine management, there will be no process effluents discharged into the environment. With the use of this closed water circuit, it is BOYD's opinion, there will be no material issues with wastewater disposal.

5.6.3.5 Noise

Noise is generated during the operation of equipment and machinery and during underground blasting operations. The Mirabilite processing facility will incorporate pressure vessels, pumps, conveyors, and steam operated equipment. For the purpose of this report, we assume all reasonable measures will be taken by Muma management regarding noise control, including the use of low noise equipment (mufflers installed), process snubbers, and sound-deadening insulation and the provision of earplugs to all employees working in areas exposed to higher noise levels in accordance with corporate governance.

5.7 Capital Expenditure

According to the budget provided to BOYD, RMB406 million are projected for the 0.2 Mtpa medical Thenardite production facility at Muma with the following breakdown:

<u>Category</u>	<u>Capital Projected (RMB millions)</u>
Property, plant and equipment	241
Construction of buildings and mining structures	165
Total	406

In addition, RMB646 million are projected for Muma 1.0 Mtpa project.

Based on Lumena's experience at Guangji, it's BOYD's opinion that the projected capital budget is reasonable.

Following this page are:

Figures

5.1: Illustrative Layout Production Cell

5.2: Selected Photographs, Muma Operation





Surface Facilities Area
(Prior Plants and Buildings Demolished)

FIGURE 5.2

**SELECTED PHOTOGRAPHS
MUMA OPERATION**

Prepared For
LUMENA RESOURCES CORP.



John T. Boyd Company

May 2009



Site Preparation Area
Valley Diversion Pipeline Construction

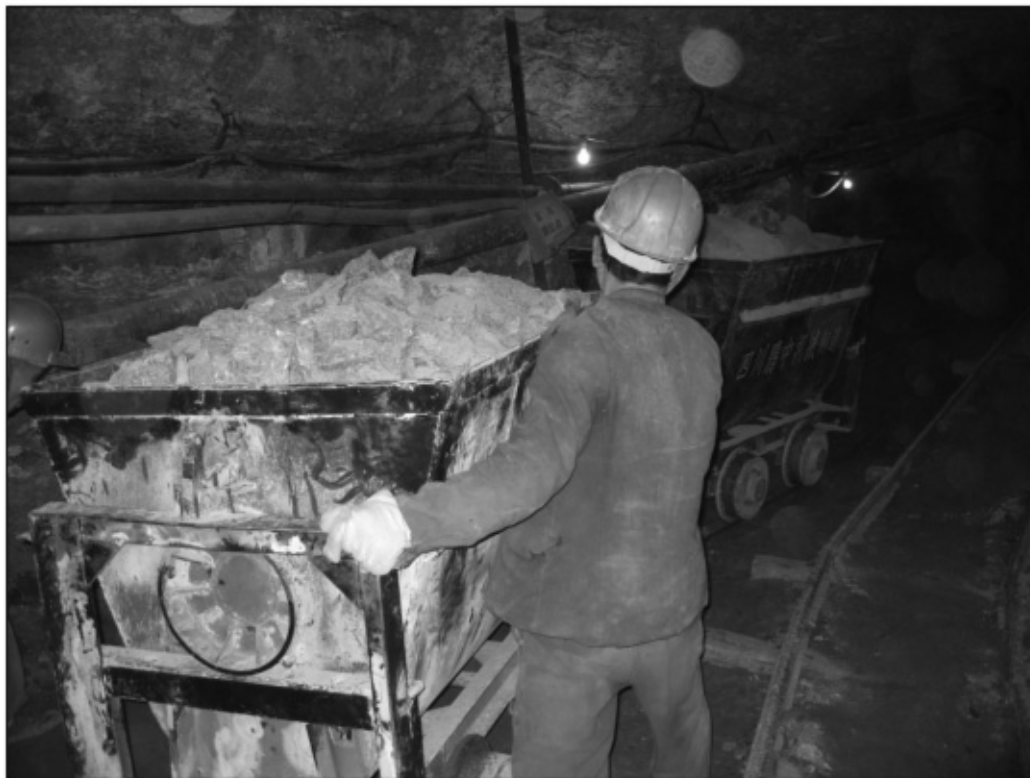


Entrance to Ore Hoisting Incline

FIGURE 5.2 - Continued



Existing Main Incline



Underground Ore Railcars

FIGURE 5.2- Continued



Solution Discharge Point for Abandoned Cell

FIGURE 5.2- Continued

6.0 BACKGROUND AND QUALIFICATIONS

6.1 BOYD Qualifications

BOYD is one of the largest independent consulting firms in the world exclusively serving the mining, financial, utility, power, and related industries. Our consultancy services have been provided on a continuous basis since 1943 in over 50 countries. Our full-time staff includes specialists in the analysis of geology, reserves, mine planning and costs, material handling, markets, business planning, transport, and environmental issues. Our full range of professional services includes:

- Due diligence of mining operations
- Fuel and energy supply planning
- Permitting and environmental analysis
- Contract negotiations
- Market and transport analyses
- Economic feasibility studies and valuations
- Assessment of existing operations
- Strategic business planning
- Transport issues
- Asset appraisals
- Minerals industry restructuring
- Privatization studies
- Geologic, reserve and mine plan modeling
- Exploration design and supervision
- Reserve and geotechnical studies
- Technical assistance in legal matters
- Monitoring of operating companies
- Financial analysis

BOYD also possesses extensive computer and software systems to estimate reserves and complete mine plans. These include Vulcan, MINCOM, SurvCADD, and others.

Our headquarters office is located in the Pittsburgh, Pennsylvania, region in the United States. Branch offices are established in Denver, Colorado (US); Brisbane, Australia; and Beijing, PRC.

Please visit our website, www.jtboyd.com, for additional details.

BOYD has extensive experience in preparing Competent Persons and Independent Financial and Technical Review Reports for international financing purposes for stock exchange filings. We are knowledgeable of the listing requirements of The Stock Exchange of Hong Kong, London Stock Exchange, and NI43-101 (Canadian requirements), JORC Code, U.S. Securities and Exchange (SEC) Rules, etc. We are familiar with the level of effort required by international investors and financial institutions.

We represented Shenhua Group Corporation as their technical advisor for their successful IPO on the Hong Kong Stock Exchange. Our work included an analysis of reserves (JORC, SEC, and UN Reporting Standards), mineral quality, mine operations, processing, material handling, rail and ocean transport facilities, and economics.

BOYD is a recognized consultancy having worldwide stature. We were retained by Her Majesty's Government, Department of Trade and Industry, regarding the privatization of British Coal Corporation (British Coal) and were actively involved with N M Rothschild, the lead financial advisor, during the course of this project. Our work assisted in the restructuring of the industry, and the coal mining operations of British Coal were successfully privatized.

We have completed over 2,000 resource and reserve audits. BOYD's reserve statements have been used by client companies, including some of the largest US coal producers. We have worked with and for virtually all of the major international banks. Numerous financial agencies have used our services to opine on property/mine operations. We have the proven ability to prepare a bankable document that is accepted and used with confidence by major financial institutions and other investors around the world.

6.2 Statement of Interests

BOYD is a privately owned consultancy firm with headquarters in the United States. Our company was selected for this assignment on the basis of our internationally recognized expertise in exploration, resource/reserve studies, mine development, and valuation. BOYD has no ownership or shareholder interest in the Dahongshan, Guangji, and/or Muma operations; Lumena; Chuanmei Mirabilite; Chuanmei Glauber Salt; or related assets. There have been no transactions between BOYD and its employees, either in the past or presently, and Lumena, Chuanmei Mirabilite, Chuanmei Glauber Salt, or related assets. BOYD does not have any claims outstanding with Lumena, Chuanmei Mirabilite, Chuanmei Glauber Salt, or related assets. Payment for our services is not contingent upon our opinions regarding the merits of the project or approval of our work by Lumena. BOYD has completed its work in accordance with US and international ethical standards for professional engineering.

6.3 Forward-Looking Statements

Estimates of resources and reserves, as well as projections of mine and processing plant output and financial results, are inherently forward-looking statements. Actual performance may differ from projections of future performance due to various reasons beyond the control of BOYD, including, but not limited to: inherent uncertainties in geologic data interpretation, occurrence of unforeseen geological conditions, change or lack of development in key domestic and international markets, material changes in market prices, variances in the execution of construction and mine plans, and significant changes in projected materials, supplies, parts and equipment, operating costs, and expenditures. Imposition of different central, regional, and/or local government policies could affect future coal production. For example, increased environmental compliance and changes in regulatory oversight for health and safety could result in reduced output and increased costs. Possible variations of future performance from the projections presented in this report are addressed in more detail in specific sections of this report.

BOYD did not perform a risk assessment on the Dahongshan, Guangji, and Muma mining areas and the associated processing facilities, although we did review the mines and facilities to determine long-term viability. We do not believe that the mines and facilities are inherently dangerous or have a high risk of accidents that would compromise the ability of the mines and plants to function. BOYD is aware of the operational risks and that Lumena's management of safety and production process are important elements to reduce the operational risks involved. Lumena's output plans do not contain provisions for any unforeseeable decreases in production because the mines and production facilities operate at designed production capacity. In the event that any unforeseeable events result in decreased production, there is no assurance that additional capacity and scheduling will be available to make up for any loss of production volumes. Comments on the risks inherent in the various operations are discussed in the appropriate sections.

6.4 Source Data

The principal sources of information for this project are:

1. Feasibility Study Report of Guangji Mirabilite Mine, Sichuan Chuanmei Special Glauber Salt Co. Ltd., by Sichuan Coal Design & Research Institute, August 2007.
2. Preliminary Design Report of Guangji Mirabilite Mine, Sichuan Chuanmei Special Glauber Salt Co. Ltd., by Sichuan Coal Design & Research Institute, January 2008.
3. Feasibility Study Report of the 1.0 Mtpa Thenardite Project (Guangji) of Sichuan Chuanmei Special Glauber Salt Co. Ltd., by Zigong City Light Industry Design & Research Institute Co. Ltd., June 2007.

4. Review Report of the Resources/Reserves of Guangji Mirabilite Mine, Sichuan Chuanmei Special Glauber Salt Co. Ltd., Sichuan Chemical Industry Geology Exploration Institute, September 2007.
5. Review Report of the Resources/Reserves of No. I Section, Guangji Mirabilite Mine, Sichuan Chuanmei Special Glauber Salt Co. Ltd., Sichuan Chemical Industry Geology Exploration Institute, December 2007.
6. Official Reply to the Water and Soil Preservation Report for the 1.0 Mtpa Thenardite Project of Sichuan Chuanmei Special Glauber Salt Co. Ltd., by Bureau of Water Resources of Meishan City, circular (2007) No.149.
7. Review Opinions on the Environmental Impact Review Outline for the 1.0 Mtpa Thenardite Project of Sichuan Chuanmei Special Glauber Salt Co. Ltd., by Environmental Engineering Review Center of Sichuan Province, circular (2007) No.063.
8. Feasibility Study Report of Muma Mirabilite Mine, Sichuan Chuanmei Special Glauber Salt Co. Ltd., by Sichuan Province Chuanmei Mirabilite Co. Ltd, December 2007.
9. Preliminary Design Report of Muma Mirabilite Mine, Sichuan Chuanmei Special Glauber Salt Co. Ltd., by Sichuan Province Chuanmei Mirabilite Co. Ltd, January 2008.
10. Preliminary Plan of Mine Expansion and Development for Muma Mirabilite Mine, Sichuan Chuanmei Special Glauber Salt Co. Ltd., by Sichuan Province Chuanmei Mirabilite Co. Ltd, December 2007.
11. Exploration Geological Report of Muma Mirabilite Mine, Pengshan County, Sichuan Province, by Sichuan Chemical Industry Geology Exploration Team, August 1996.
12. Review Report of the Resources/Reserves of Muma Mirabilite Mine, Sichuan Chuanmei Special Glauber Salt Co. Ltd., Sichuan Chemical Industry Geology Exploration Institute, January 2008.
13. 2008 Thenardite Market Research and Analysis Report, by Marketing and Sales Department, Sichuan Province Chuanmei Mirabilite Co. Ltd, February 2008.

While the primary source of information relied upon by BOYD in preparing this ITR was provided by Lumena, we independently evaluated the reasonableness of the data provided within the context of our professional and technical expertise and our broad Chinese and international mining experience. To facilitate our interpretation of the data, discussions were conducted with mine site management during our visits. Additional information was requested and collected as necessary.

6.5 Closing

In preparing this ITR report, we have relied on reserve, operating, and other data as provided by Lumena. We have exercised reasonable care in reviewing the information provided, but assumed all historic data have been accurately reported and all forward projections are prepared and/or approved by competent professionals and Lumena management. We have no reason to believe that any material facts have been withheld, or that a more detailed analysis may reveal additional material information. Our ITR has been completed in accordance with generally accepted standards and practices employed in the international mining industry. Although we have compared key information provided by Lumena with expected values, the accuracy of the results and conclusions of this report are reliant on the accuracy of the information provided. We are not responsible for any material errors or omissions in the information provided.

The findings and conclusions presented in this ITR report represent the independent professional opinion of BOYD based on our review of available project information. We have made no attempt to verify the technical and geological information presented in the reference material documents and assume it has been prepared by competent engineers and geologists. Our expertise is in technical and financial mining issues, and we are not qualified, nor do we represent that any of our findings include, matters of a legal or accounting nature. BOYD's independent analyses of the available data have been developed in a manner consistent with industry standards and engineering practices. We believe our conclusions are reasonable assessments of the information provided.

The ability of Lumena to achieve the projections contained in this ITR report is dependent on numerous factors that are beyond the control of, and cannot be anticipated by, BOYD. These factors include mining and geologic conditions, the capabilities of management and employees, the securing of required approvals and permits in a timely manner, etc. Unforeseen changes in regulations could also impact performance. We believe all findings and conclusions to be reasonable but we do not warrant this report in any manner, express or implied.

This ITR report only addresses technical (e.g., reserve, mining, etc.) issues. Forward production and financial plans are developed by Lumena. By assignment, BOYD's review is limited to mines and processing plants and does not consider corporate or other downstream costs.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on April 12, 2007 under the Cayman Companies Law. The Company's constitutional documents consist of its Memorandum and Articles.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, inter alia, that the liability of members of our Company is limited and that the objects for which our Company is established are unrestricted (and therefore include acting as an investment company), and that our Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.
- (b) By special resolution our Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on April 25, 2008. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of our Company consists of ordinary shares.

(ii) Share certificates

Every person whose name is entered as a member in the register of members shall be entitled without payment to receive a certificate for his shares. The Cayman Companies Law prohibits the issue of bearer shares to any person other than an authorized or recognized custodian defined in the Cayman Companies Law. The requirement on all service providers to implement appropriate due diligence procedures on the identity of a client in order to "know your client" as a result of proceeds of crime legislation mandates that special procedures should be followed when issuing bearer shares.

Every certificate for shares, warrants or debentures or representing any other form of securities of our Company shall be issued under the seal of our Company, and shall be signed autographically by one Director and the Secretary, or by 2 Directors, or by some other person(s) appointed by the Board for the purpose. As regards any certificates for shares or debentures or other securities of our Company, the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature other than autographic as specified in such resolution or that such certificates need not be signed by any person. Every share certificate issued shall specify the number and class of shares in respect of which it is issued and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one class of shares, and where the capital of our Company

includes shares with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words “restricted voting” or “limited voting” or “non-voting” or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. The Company shall not be bound to register more than 4 persons as joint holders of any share.

(b) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as our Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that upon the occurrence of a specified event or upon a given date and either at the option of our Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of our Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and our Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles), and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but no shares shall be issued at a discount.

Neither our Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purposes whatsoever.

(ii) Power to dispose of the assets of our Company or any subsidiary

While there are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by our Company in a general meeting, but if such power or act is regulated by our Company in a general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iii) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by our Company in a general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors and their affiliates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of our Company or any of their respective affiliates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of our Company or any of their respective affiliates, or if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(v) Disclosure of interest in contracts with our Company or with any of its subsidiaries

With the exception of the office of auditor of our Company, a Director may hold any other office or place of profit with our Company in conjunction with his office of Director for such period and, upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer or member of any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with our Company, either as a vendor, purchaser or otherwise, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be voidable, nor shall any Director so contracting or being so interested be liable to account to our Company for any profit realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with our Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to our Company.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his affiliate(s) is/are materially interested, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters namely:

- (aa) the giving of any security or indemnity to the Director or his affiliate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of our Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or his affiliate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested in subscribing or purchasing, where the Director or his affiliate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal concerning any other company in which the Director or his affiliate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a member or in which the Director or his affiliate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his affiliates do not in aggregate beneficially own 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associate(s) is derived) or of the voting rights;
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to Directors, his affiliate(s) and employees of our Company or of any of its subsidiaries and does not provide in respect of any Director, or his affiliate(s), as such any privilege or advantage not generally available to the employees to which such scheme or fund relates; or
- (ff) any contract or arrangement in which the Director or his affiliate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company.

(vi) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board, or our Company in a general meeting, as the case may be. Such sum (unless otherwise directed by the resolution by which it is determined) is to be divided amongst the Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time period during which he has held office. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such

remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in our Company may be entitled by reason of such employment or office.

Any Director who, at the request of our Company performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration for a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with other companies (being subsidiaries of our Company or with which our Company is associated in business), or may make contributions out of our Company's monies to, such schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and former employees of our Company and their dependents or any class or classes of such persons.

In addition, the Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in a general meeting. Any Director so appointed shall hold office only until the next general meeting of our Company and shall then be eligible for re-election. There is no shareholding qualification for Directors.

At each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of such notices will commence no earlier than the day after the dispatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting and the minimum length of the period during which such notices to our Company may be given must be at least 7 days.

A Director is not required to hold any shares in our Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to the Board or retirement therefrom.

A Director may be removed by an ordinary resolution of our Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and our Company may by ordinary resolution appoint another in his place. Unless otherwise determined by our Company in a general meeting, the number of Directors shall not be less than two.

In addition to the foregoing, the office of a Director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to our Company at the registered office or head office of our Company for the time being or tendered at a meeting of the Board;
- (bb) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;
- (cc) if, without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles;
- (gg) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or
- (hh) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director or Directors and

other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(viii) Borrowing powers

Pursuant to the Articles, the Board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of our Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party. The provisions summarized above, in common with the Articles in general, may be varied with the sanction of a special resolution of our Company.

(ix) Register of Directors and officers

Pursuant to the Cayman Companies Law, our Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers.

(x) Proceedings of the Board

Subject to the Articles, the Board may meet anywhere in the world for the dispatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents

To the extent that the same is permissible under Cayman Islands law and subject to the Memorandum and Articles of our Company may only be altered or amended, and the name of our Company may only be changed by our Company by special resolutions.

(d) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Law, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Alteration of capital

The Company may, by an ordinary resolution of its members, (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; and (e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorized and subject to any conditions prescribed by law.

Reduction of share capital — subject to the Companies Law and to confirmation by the court, our Company limited by shares may, if so authorized by its Articles, by special resolution, reduce its share capital in any way.

(f) Special resolution — majority required

In accordance with the Articles, a special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. However, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 days' notice has been given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which not less than fourteen days' notice has been given and held in accordance with the Articles. A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of our Company duly convened and held, and where relevant as a special resolution so passed.

(g) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting on a show of hands, every member who is present in

person or by proxy or being a corporation, is present by its duly authorized representative shall have one vote, and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of our Company but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purpose as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote does not need to use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded or otherwise required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles). A poll may be demanded by:

- (i) the chairman of the meeting; or
- (ii) at least two members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy for the time being entitled to vote at the meeting; or
- (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iv) any member or members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy and holding shares in our Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s), be a member of our Company, such person or persons may be authorized as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized in accordance with this provision shall be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s), as if such person were an individual member including the right to vote individually on a show of hands.

Where our Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(h) Annual general meetings

The Company must hold an annual general meeting each year. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorized by the Stock Exchange at such time and place as may be determined by the Board.

(i) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the assets and liabilities of our Company and of all other matters required by the Cayman Companies Law necessary to give a true and fair view of the state of our Company's affairs and to show and explain its transactions.

The books of accounts of our Company shall be kept at the head office of our Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account or book or document of our Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorized by the Board or our Company in a general meeting.

The Board shall from time to time cause to be prepared and laid before our Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of our Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), our Company may send summarized financial statements to shareholders who has, in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles), consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles), and must be sent to the shareholders not less than twenty-one days before the general meeting to those shareholders that have consented and elected to receive the summarized financial statements.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by our Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of our Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(j) Notices of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution must be called by at least 21 days' notice in writing, and any other extraordinary general meeting shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by our Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper

addressed to such member at his registered address as appearing in our Company's register of members or by leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside of Hong Kong may notify our Company in writing of an address in Hong Kong which for the purposes of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside of Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available.

Although a meeting of our Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of our Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the issued shares giving that right.

All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of Directors in place of those retiring;
- (dd) the appointment of auditors;
- (ee) the fixing of the remuneration of the Directors and of the auditors;
- (ff) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares of our Company representing not more than 20% in nominal value of its existing issued share capital (or such other percentage as may from time to time be specified in the rules of the Stock Exchange) and the number of any securities repurchased by our Company since the granting of such mandate; and
- (gg) the granting of any mandate or authority to the Board to repurchase securities in our Company.

(k) Transfer of shares

Subject to the Cayman Companies Law, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve provided always that it shall be in such form prescribed by the Stock Exchange and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the

transferor or transferee or accept mechanically executed transfers in any case in which it in its discretion thinks fit to do so, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of our Company in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share option scheme upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which our Company has a lien.

The Board may decline to recognize any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to our Company in respect thereof, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a newspaper circulating generally in Hong Kong or, where applicable, any other newspapers in accordance with the requirements of the Stock Exchange, at such times and for such periods as the Board may determine. The register of members shall not be closed for periods exceeding in the whole 30 days in any year.

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

(I) Power of our Company to purchase its own shares

The Company is empowered by the Cayman Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of our Company subject to any applicable requirement imposed from time to time by code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where our Company purchases for redemption a redeemable share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all members alike.

(m) Power of any subsidiary of our Company to own shares in our Company

There are no provisions in the Articles relating to the ownership of shares in our Company by a subsidiary.

(n) Dividends and other methods of distribution

The Company in a general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to our Company on account of calls, installments or otherwise.

Where the Board or our Company in a general meeting has resolved that a dividend should be paid or declared on the share capital of our Company, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board our Company may by ordinary resolution in respect of any one particular dividend of our Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of our Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or our Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or installments payable upon any shares held by him, and in respect of all or any of the moneys so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of our Company until claimed and our Company shall constitute a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

The Company may exercise the power to cease sending checks for dividend entitlements or dividend warrants by post if such checks or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a check or warrant is returned undelivered.

(o) Proxies

Any member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorized officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favor of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(p) Calls on shares and forfeiture of shares

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by installments. If the sum payable in

respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or installments payable upon any shares held by him, and in respect of all or any of the monies so advanced our Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or installment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or installment remains unpaid, serve not less than 14 days' notice on him requiring payment of so much of the call or installment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and it shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to our Company all moneys which, at the date of forfeiture, were payable by him to our Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(q) Inspection of corporate records

Members of our Company have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of our Company. However, the members of our Company will have such rights as may be set forth in the Articles. The Articles provide that for so long as any part of the share capital of our Company is listed on the Stock Exchange, any member may inspect any register of members of our Company maintained in Hong Kong (except when the register of member is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if our Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

As an exempted company, our Company may, subject to the provisions of the Articles, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as the Board may, from time to time, think fit.

(r) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote.

In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(s) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of our Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(t) Procedures on liquidation

A resolution that our Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if our Company shall be wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if our Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, on the shares held by them respectively.

In the event that our Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law divide among the members in specie or kind the whole or any part of the assets of our Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(u) Untraceable members

The Company may exercise the power to cease sending checks for dividend entitlements or dividend warrants by post if such checks or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a check or warrant is returned undelivered.

In accordance with the Articles, our Company is entitled to sell any of the shares of a member who is untraceable if:

- (i) all checks or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years;

- (ii) upon the expiry of the 12 years and 3 months period (being the 3 months notice period referred to in sub-paragraph (iii)), our Company has not during that time received any indication of the existence of the member; and
- (iii) our Company has caused an advertisement to be published in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the stock exchange of the Relevant Territory (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to our Company and upon receipt by our Company of such net proceeds, it shall become indebted to the former member of our Company for an amount equal to such net proceeds.

(v) Subscription rights reserve

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on April 12, 2007 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

As an exempted company, our Company must conduct its operations mainly outside the Cayman Islands. Moreover, our Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) Share capital

In accordance with the Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The Cayman Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Cayman Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

- (iii) in the redemption and repurchase of shares (in accordance with the detailed provisions of section 37 of the Cayman Companies Law);
- (iv) writing-off the preliminary expenses of the company;
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (vi) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

Notwithstanding the foregoing, the Cayman Companies Law provides that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

It is further provided by the Cayman Companies Law that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by a special resolution reduce its share capital in any way.

The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and acting in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. Nonetheless, if the articles of association do not authorize the manner of purchase, a company cannot purchase any of its own shares without the manner of purchase first being authorized by an ordinary resolution of the company. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Cayman Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Cayman Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see sub-paragraph 2(n) of this Appendix for further details).

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions thereto) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge:

- (i) an act which is ultra vires the company or illegal;
- (ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and
- (iii) an irregularity in the passing of a resolution the passage of which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members thereof holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report thereon.

Moreover, any member of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions in the Cayman Companies Law on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging

his duties must do so honestly and in good faith with a view to the best interest of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

Section 59 of the Cayman Companies Law provides that a company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters with respect to which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Section 59 of the Cayman Companies Law further states that proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, our Company has obtained an undertaking from the Governor-in-Council:

- (i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to our Company or its operations; and
- (ii) in addition, that no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by our Company;
- (aa) on or in respect of the shares, debentures or other obligations of our Company; or
- (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (1999 Revision).

The undertaking for our Company is for a period of twenty years from May 8, 2007.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands is not a party to any double tax treaties.

(k) Stamp duty on transfers

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

The Cayman Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of the company have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as the directors may, from time to time, think fit. The Cayman Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(o) Winding up

A Cayman Islands company may be wound up either by (i) an order of the court or (ii) voluntarily by a special resolution of its members. The court also has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company occurs where the members so resolve in a general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or where the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no further executive action may be carried out without his approval.

A company is placed in liquidation either by an order of the court or by a special resolution of its members. A liquidator is appointed whose duties are to collect the assets of the company (including the amount (if any) due from the members), settle the list of creditors and discharge the company's liability to them, ratably if insufficient assets exist to discharge the liabilities in full, and settle the list of members and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

In the case of a members' voluntary winding up of a company, the company in a general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets.

When the affairs of a company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This general meeting shall be called by public notice or such other means as the Registrar of Companies may direct.

For the purposes of conducting the proceedings in winding up a company and assisting the court, there may be appointed one or more persons to be called an official liquidator or official liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as

it thinks fit, and if more than one persons are appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(p) Reconstructions

Reconstructions and amalgamations are governed by specific statutory provisions under the Cayman Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(q) Takeovers

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(r) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, our Company's legal adviser on Cayman Islands law, have sent to our Company a letter of advice which summarizes certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix IX. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on April 12, 2007. Our Company has established a place of business in Hong Kong at Suite 2801, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong. Our Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company, under Part XI of the Companies Ordinance on April 21, 2008. In connection with such registration, our Company has appointed Mr. Zhu Ben Yu as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company is incorporated in the Cayman Islands, we operate subject to the Cayman Companies Law and its constitution comprising the Memorandum and the Articles of Association. A summary of various provisions of our Company's constitution and certain relevant aspects of the Cayman Companies Law is set out in Appendix VI to this prospectus.

2. Changes in share capital of our Company

- (a) As at the date of incorporation of our Company, its authorized share capital was US\$50,000 divided into 500,000 Shares of US\$0.10 each. On the same date, our Company (i) allotted and issued one Share to the initial subscriber, Chapel Nominees Limited which then transferred the same to Nice Ace at par value; and (ii) allotted and issued at par value 74,999 Shares, 5,000 Shares and 20,000 Shares to Nice Ace, Triple A and Woo Foong Hong respectively. Upon completion of the said share transfer, allotment and issue, our Company was held by Nice Ace, Triple A and Woo Foong Hong as to 75.0%, 5.0% and 20.0%, respectively.
- (b) On May 18, 2007, Nice Ace transferred 2,000 Shares to Asia Coal Bed at par value while Woo Foong Hong transferred 20,000 Shares to Mandra Mirabilite at par value. Upon completion of the said share transfers, our Company was held as to 73.0%, 5.0%, 2.0% and 20.0% by Nice Ace, Triple A, Asia Coal Bed and Mandra Mirabilite, respectively.
- (c) On June 20, 2007, Triple A transferred 5,000 Shares to AAA Mining at par value. Upon completion of the said share transfer, our Company was held as to 73.0%, 5.0%, 2.0% and 20.0% by Nice Ace, AAA Mining, Asia Coal Bed and Mandra Mirabilite, respectively.
- (d) On April 25, 2008, every issued and unissued Share of US\$0.1 each in the share capital of the Company was subdivided into 10,000 Shares of US\$0.00001 each such that our Company shall have an authorized share capital of US\$50,000 divided into 5,000,000,000 Shares of US\$0.00001 each.
- (e) On April 25, 2008, an aggregate of 520,000,000 Shares of US\$0.00001 each were allotted and issued to the then Shareholders in proportion to their then shareholdings at par value such that 379,600,000 Shares, 26,000,000 Shares, 10,400,000 Shares and 104,000,000 Shares were allotted and issued to Nice Ace, AAA Mining, Asia Coal Bed and Mandra Mirabilite, respectively. Upon completion of the said share subdivision and share allotment and issue, our Company was held as to 73.0%, 5.0%, 2.0% and 20.0% by Nice Ace, AAA Mining, Asia Coal Bed and Mandra Mirabilite, respectively.
- (f) On May 30, 2008, Mandra Mirabilite transferred 30,400,000 Shares of US\$0.00001 each to Mandra Esop at nominal value. Upon completion of the said share transfer, our Company was held as to 73.0%, 18.0%, 5.0%, 2.0% and 2.0% by Nice Ace, Mandra Mirabilite, AAA Mining, Asia Coal Bed and Mandra Esop, respectively.

- (g) On May 30, 2008, Asia Coal Bed transferred 30,400,000 Shares of US\$0.00001 each to Mandra Esop at nominal value. Upon completion of the said share transfer, our Company was held as to 73.0%, 18.0%, 5.0% and 4.0% by Nice Ace, Mandra Mirabilite, AAA Mining and Mandra Esop, respectively.
- (h) On September 11, 2008, Nice Ace sold 26,600,000 Shares of US\$0.00001 each to OSSF Capital for US\$10 million pursuant to the share purchase agreement among Nice Ace, OSSF Capital and Mr. Suolang Duoqi, as guarantor. Upon completion of such sale, our Company was held as to approximately 71.3%, 18.0%, 5.0%, 4.0% and approximately 1.7% by Nice Ace, Mandra Mirabilite, AAA Mining, Mandra Esop and OSSF Capital, respectively.
- (i) On May 14, 2009, Nice Ace transferred 111,993,600 Shares to the Warrant Holders. After such transfer, our Company was held as to approximately 63.9%, 18.0%, 15.0%, approximately 7.4%, 4.0% and approximately 1.7% by Nice Ace, Mandra Mirabilite, AAA Mining, the Warrant Holders, Mandra Esop and OSSF Capital, respectively.

Assuming that the Global Offering becomes unconditional and the Offer Shares are issued, our issued share capital upon completion of the Global Offering will be US\$19,240 divided into 1,924,000,000 Shares of US\$0.00001 each (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of (i) options granted under the Pre-IPO Share Option Scheme; and (ii) options that may be granted under the Share Option Scheme.

Save for the aforesaid and as disclosed in this prospectus, there has been no alteration in the share capital of our Company since our incorporation.

3. Written resolutions of our Shareholders passed on April 25, 2008 and the resolutions passed at the EGM on May 26, 2009

Pursuant to the written resolutions passed by the Shareholders on April 25, 2008 and the resolutions passed at the EGM on May 26, 2009:

- (a) our Company approved and adopted the Articles of Association;
- (b) conditional on (i) the Listing Committee of the Stock Exchange granting the Listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be allotted and issued pursuant to the exercise of (1) options granted under the Pre-IPO Share Option Scheme; (2) options which may be granted under the Share Option Scheme (ii) the entering into of the agreement on the Offer Price between the Joint Global Coordinators (on behalf of the Underwriters), our Company and the Selling Shareholders on the Price Determination Date; and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before the date determined in accordance with the terms of the Underwriting Agreements:
 - the Global Offering was approved and the Directors were authorized to approve the same and to allot and issue the Offer Shares; and
 - the rules of the Share Option Scheme were approved and adopted and the Directors were authorized, at their absolute discretion, to grant options to subscribe for Shares under the Share Option Scheme and to allot, issue and deal with the Shares issued pursuant thereunder and to take all such steps as they consider necessary or desirable to implement the Share Option Scheme.

- (c) a general unconditional mandate was given to the Directors to exercise all the powers of our Company to allot, issue and deal with (otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or upon the exercise of the options that were granted under the Pre-IPO Share Option Scheme and the options that may be granted under the Share Option Scheme or pursuant to the Global Offering) unissued Shares with a total nominal value not exceeding 20 per cent. of the aggregate nominal value of the share capital of our Company in issue and to be issued immediately following completion of the Global Offering (but not taking into account any Shares which may be issued and allotted pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme and options that may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any applicable laws to be held, or until revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first;
- (d) a general unconditional mandate was given to the Directors authorizing them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose in accordance with all applicable laws and the requirements of the Listing Rules or equivalent rules or regulations of such other stock exchange, such number of Shares with an aggregate nominal value not exceeding 10 per cent. of the aggregate nominal value of the share capital of our Company in issue and to be issued immediately following completion of the Global Offering (but not taking into account any Shares which may be issued and allotted pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme and options that may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any applicable laws to be held, or until revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first;
- (e) the general unconditional mandate mentioned in paragraph (c) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted, issued or dealt with by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (d) above provided that such extended amount shall not exceed 10 per cent. of the aggregate of the total nominal value of the share capital of our Company in issue immediately following completion of the Global Offering but excluding any Shares which may be issued upon exercise of the options granted under the Pre-IPO Share Option Scheme and options that may be granted under the Share Option Scheme.

4. Corporate reorganization

The companies comprising our Group underwent the Reorganization in anticipation of the Global Offering and as a result of which, our Company became the holding company of our Group and Chuanmei Mirabilite became a 90.0% owned subsidiary of our Company through Rich Light and Top Promise.

A diagram showing our corporate structure after the Reorganization is set out in the section headed “History, Reorganization and Corporate Structure” in this prospectus.

Details of the Reorganization undertaken are as follows:

1. On April 12, 2007, our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with authorized share capital of US\$50,000 divided into 500,000 Shares of US\$0.1 each;
2. On April 12, 2007, one subscriber Share was allotted and issued to Chapel Nominees Limited which then transferred the same to Nice Ace at par value;
3. On April 12, 2007, our Company allotted and issued 74,999 Shares, 5,000 Shares and 20,000 Shares to Nice Ace, Triple A and Woo Foong Hong at par value, respectively;
4. On May 18, 2007, Nice Ace transferred 2,000 Shares to Asia Coal Bed at par value while Woo Foong Hong transferred 20,000 Shares to Mandra Mirabilite at par value;
5. On June 12, 2007, Mr. Suolang Duoji, Triple A and Beansprouts transferred 75 shares, 5 shares and 20 shares of Rich Light to our Company at par value and Chuanmei Mirabilite became a 90% owned subsidiary of our Company via Rich Light after completion of such share transfers;
6. On June 20, 2007, Triple A transferred 5,000 Shares to AAA Mining at par value;
7. On January 2, 2008, Woo Foong Hong transferred its entire shareholding in Asia Coal Bed to Beansprouts at par value;
8. On April 25, 2008, every issued and unissued Share of US\$0.1 in the share capital of the Company was subdivided into 10,000 Shares of US\$0.00001 each such that our Company shall have an authorized share capital of US\$50,000 divided into 5,000,000,000 Shares of US\$0.00001 each.
9. On April 25, 2008, an aggregate of 520,000,000 Shares of US\$0.00001 each were allotted and issued to the then Shareholders in proportion to their then shareholdings at par value such that 379,600,000 Shares, 26,000,000 Shares, 10,400,000 Shares and 104,000,000 Shares were allotted and issued to Nice Ace, AAA Mining, Asia Coal Bed and Mandra Mirabilite, respectively.
10. On May 26, 2008, Woo Foong Hong was transferred by Mr. Zhang Songyi and Ms. Mui Bing How to Moonchu.
11. On May 30, 2008, Mandra Mirabilite transferred 30,400,000 Shares of US\$0.00001 each to Mandra Esop at nominal value.
12. On May 30, 2008, Asia Coal Bed transferred 30,400,000 Shares of US\$0.00001 each to Mandra Esop at nominal value.
13. On September 11, 2008, Nice Ace sold 26,600,000 Shares of US\$0.00001 each to OSSF Capital for US\$10 million pursuant to the share purchase agreement among Nice Ace, OSSF Capital and Mr. Suolang Duoji, as guarantor.
14. On May 14, 2009, Nice Ace transferred 111,993,600 Shares of US\$0.00001 each to the Warrant Holders upon the exercise of the Warrants by the Warrant Holders.

5. Changes in share capital of subsidiaries

Our subsidiaries are referred to in the accountants' report of our Company, the text of which is set out in Appendix I to this prospectus. The following alterations in the share capital of our subsidiaries have taken place within the two years preceding the date of this prospectus.

Rich Light

- (1) On July 26, 2006, Mr. Xu Yaping transferred his 2 shares of Rich Light to Mr. Zhang Daming at par value.
- (2) On December 12, 2006, each of Ms. Zou Xu and Mr. Zhang Daming transferred their 8 shares and 2 shares of Rich Light to Mr. Suolang Duoji.
- (3) On January 5, 2007, Rich Light allotted and issued at par 65 shares, 5 shares and 20 shares to Mr. Suolang Duoji, Triple A and Beansprouts.
- (4) On June 12, 2007, Mr. Suolang Duoji, Triple A and Beansprouts transferred 75 shares, 5 shares and 20 shares of Rich Light to our Company at par value.

Chuanmei Glauber Salt

- (1) On June 19, 2007, Chuanmei Glauber Salt was established in the PRC as a WFOE with registered capital of US\$29,500,000.
- (2) On November 1, 2007, the registered capital of Chuanmei Glauber Salt was increased from US\$29,500,000 to US\$50,000,000.

Save as disclosed in this prospectus, there has been no alteration in the share capital of any subsidiary of our Company within the two years preceding the date of this prospectus.

6. Repurchase of Shares by our Company

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities:

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Main Board to repurchase their securities on the Stock Exchange subject to certain restrictions, a summary of which is set out below:

(i) Shareholders' approval

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

(ii) Source of funds

Repurchases must be funded out of funds legally available for such purpose in accordance with the Articles of Association, the applicable laws of the Cayman Islands and the Listing Rules. A company may not

repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) Shares to be repurchased

The Listing Rules provide that the shares which are proposed to be repurchased by a company must be fully paid up.

(iv) Reasons for repurchases

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

(v) Exercise of the repurchase mandate

Exercise in full of the repurchase mandate on the basis of 1,924,000,000 Shares in issue immediately after the Listing of the Shares (assuming no options granted under the Pre-IPO Share Option Scheme or the options that may be granted under the Share Option Scheme are exercised) could accordingly result in up to 192,400,000 Shares being repurchased by our Company during the period prior to (1) the conclusion of the next annual general meeting of our Company; (2) the expiration of the period within which the next annual general meeting of our Company is required by the Cayman Islands law or the Articles of Association to be held; or (3) the revocation or variation of the repurchase mandate by ordinary resolution of our Shareholders in a general meeting, whichever occurs first.

(vi) Funding of repurchases

Repurchases pursuant to the repurchase mandate would be financed out of funds of our Company legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands. The Directors consider that, if the repurchase mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Company as compared with the position disclosed in this prospectus. However, the Directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels.

(vii) Director's undertaking

The Directors have undertaken to the Stock Exchange that, they will exercise the power of our Company to make purchases of our Company's securities in accordance with the Listing Rules, the applicable laws of the Cayman Islands and the Articles of Association.

(viii) Disclosure of interests

None of the Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates, as defined in the Listing Rules, has any present intention to sell any Shares to our Company or its subsidiaries. No connected person, as defined in the Listing Rules, has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the repurchase mandate is exercised.

(ix) Takeovers Code consequences

If, as a result of a securities repurchase pursuant to the repurchase mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code.

Accordingly, a shareholder, or a group of shareholders acting in concert, depending on the level of increase of shareholders' interest, could obtain or consolidate control of the company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Without taking into account the arrangement among Mr. Suolang Duoqi, Nice Ace and Investec Bank and assuming that the Over-allotment Option is not exercised and no option granted under the Pre-IPO Share Option Scheme or the option that may be granted under the Share Option Scheme are exercised, exercise in full of the Repurchase Mandate would result in an increase in the percentage of the Shares held by Nice Ace from approximately 43.1% to approximately 47.9% and Nice Ace would be obliged to make a mandatory offer under Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which may arise under the Takeovers Code if the repurchase mandate is exercised.

The Directors have no present intention to exercise the repurchase mandate to such an extent as would result in takeover obligations under the Takeovers Code.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

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

- (1) an instrument of transfer dated June 12, 2007, by which Mr. Suolang Duoqi transferred 75 shares of Rich Light to our Company at a consideration of US\$75;
- (2) a bought and sold note dated June 12, 2007, by which Mr. Suolang Duoqi transferred 75 shares of Rich Light to our Company at a consideration of US\$75;
- (3) an instrument of transfer dated June 12, 2007, by which Triple A transferred 5 shares of Rich Light to our Company at a consideration of US\$5;
- (4) a bought and sold note dated June 12, 2007, by which Triple A transferred 5 shares of Rich Light to our Company at a consideration of US\$5;
- (5) an instrument of transfer dated June 12, 2007, by which Beansprouts transferred 20 shares of Rich Light to our Company at a consideration of US\$20;
- (6) a bought and sold note dated June 12, 2007, by which Beansprouts transferred 20 shares of Rich Light to our Company at a consideration of US\$20;
- (7) the Instrument Constituting Warrants in our Company entered into among Nice Ace, our Company, AAA Mining, Mandra Mirabilite and Asia Coal Bed dated June 23, 2007, pursuant to which the Warrant Holders may exercise the purchase rights attached to the Warrants in whole or in part and purchase from Nice Ace Shares with an aggregate maximum entitlement equivalent to 7.5% of the share capital of our Company on a fully diluted basis;

- (8) the Facility Agreement entered into between our Company as borrower and Credit Suisse, Singapore Branch as facility agent and security agent for and on behalf of the transaction finance parties as defined therein on June 23, 2007, pursuant to which the lender as defined therein made available to our Company US dollar term loan facility in an aggregate amount of up to US\$100,000,000;
- (9) an assignment of loans entered into among Top Promise, our Company as assignor and Credit Suisse, Singapore Branch as security agent dated June 23, 2007, pursuant to which our Company assigned by way of security all its right, title and interest in its receivables from Top Promise to Credit Suisse, Singapore Branch;
- (10) a Top Promise account charge entered into between Top Promise as chargor and Credit Suisse, Singapore Branch as security agent dated June 23, 2007, pursuant to which Top Promise charged by way of first fixed charge in favor of Credit Suisse, Singapore Branch all its right, title and interest in its bank accounts in Hong Kong opened or maintained with Standard Chartered Bank (Hong Kong) Limited and the credit balance of such accounts;
- (11) a borrower Singapore account charge entered into between our Company as chargor and Credit Suisse, Singapore Branch as security agent dated June 23, 2007, pursuant to which our Company charged by way of first fixed charge in favor of Credit Suisse, Singapore Branch all its right, title and interest in its bank accounts in Singapore opened or maintained with Credit Suisse, Singapore Branch and the credit balance of such accounts;
- (12) a borrower Hong Kong account charge entered into between our Company as chargor and Credit Suisse, Singapore Branch as security agent dated June 23, 2007, pursuant to which our Company charged by way of first fixed charge in favor of Credit Suisse, Singapore Branch all its right, title and interest in its bank accounts in Hong Kong opened or maintained with Bank of China (Hong Kong) Limited and the credit balance of such accounts;
- (13) a share charge over Top Promise entered into between Rich Light as chargor and Credit Suisse, Singapore Branch as security agent dated June 23, 2007, pursuant to which Rich Light charged the share capital of Top Promise held by Rich Light together with the related rights by way of first fixed charge in favor of Credit Suisse, Singapore Branch;
- (14) a share charge over Rich Light entered into between our Company as chargor and Credit Suisse, Singapore Branch as security agent dated June 23, 2007, pursuant to which our Company charged its interest in all of the shares of Rich Light beneficially owned by our Company in favor of Credit Suisse, Singapore Branch;
- (15) a share charge over our Company entered into among Nice Ace, AAA Mining, Asia Coal Bed and Mandra Mirabilite as chargors and Credit Suisse, Singapore Branch as security agent on June 23, 2007 pursuant to which the chargors agreed to charge their respective interest in all of the shares they beneficially owned in our Company in favor of Credit Suisse, Singapore Branch;
- (16) a pledge of equity entered into between Top Promise as pledgor and Credit Suisse, Singapore Branch as security agent dated June 25, 2007, pursuant to which Top Promise effected a pledge in favor of Credit Suisse, Singapore Branch over all the equity interests together with the related rights and benefits held by Top Promise in Chuanmei Mirabilite;
- (17) a subordination and assignment deed entered into among Top Promise as subordinated borrower, Mr. Suolang Duoqi as subordinated lender and Credit Suisse, Singapore Branch as security agent dated June 25, 2007, pursuant to which Top Promise and Mr. Suolang Duoqi agreed with each other

and with Credit Suisse, Singapore Branch that all indebtedness owing to Mr. Suolang Duoqi by Top Promise shall be subordinated to the priority indebtedness as defined therein if it is or may become outstanding and postponed to the claims of the transaction finance parties as defined therein in respect thereof;

- (18) a pledge of equity entered into between Top Promise as pledgor and Credit Suisse, Singapore Branch as security agent dated September 26, 2007, pursuant to which Top Promise effected a pledge in favor of Credit Suisse, Singapore Branch over all the equity interests together with the related rights and benefits held by Top Promise in Chuanmei Glauber Salt;
- (19) a liabilities undertaking agreement dated December 31, 2007 entered into among Top Promise, Mr. Suolang Duoqi and Chief Style International Limited, under which an amount of HK\$3,189,527 due from Top Promise to Chief Style International Limited was assigned to Mr. Suolang Duoqi;
- (20) a liabilities undertaking agreement dated December 31, 2007 entered into among Top Promise, Mr. Suolang Duoqi and Sichuan Huatuo, under which an amount of HK\$1,381,154 due from Top Promise to Sichuan Huatuo was assigned to Mr. Suolang Duoqi;
- (21) a liabilities undertaking agreement dated December 31, 2007 entered into among Top Promise, Mr. Suolang Duoqi and Sichuan Huatong, under which an amount of HK\$1,606,555 due from Top Promise to Sichuan Huatong was assigned to Mr. Suolang Duoqi;
- (22) a deed of undertaking dated June 10, 2008 given by our Company in favor of Credit Suisse, Singapore Branch as security agent;
- (23) a share transfer agreement dated October 19, 2008 entered into between Chuanmei Mirabilite, Peng Conglin and Xie Yunhong, pursuant to which Peng Conglin and Xie Yunhong agreed to transfer the entire shareholding in Sichuan Meishan Yi Jing Mirabilite Company Limited to Chuanmei Mirabilite at a consideration of RMB200,000,000;
- (24) a supplemental agreement dated January 14, 2009 entered into between Chuanmei Mirabilite, Peng Conglin and Xie Yunhong, to terminate the share transfer agreement dated October 19, 2008 entered into between Chuanmei Mirabilite, Peng Conglin and Xie Yunhong;
- (25) a sub-lease agreement dated February 28, 2009 entered into between Top Promise and Haton, under which Top Promise sub-leased the Hong Kong Premises to Haton at a monthly sublease rent of HK\$70,421.40;
- (26) a guarantee and indemnity dated March 11, 2009 entered into among Hang Lung Real Estate Agency Limited, Top Promise, Haton and the Company under which a guarantee was provided by Haton and the Company for renting the Hong Kong Premises;
- (27) a loan agreement dated May 7, 2009 between Top Promise and China Sun Fund, under which China Sun Fund made available a term loan facility of HK\$145 million to Top Promise for 36 months;
- (28) a surrender agreement dated May 22, 2009 entered into between Top Promise and Haton, under which Haton terminated the sub-lease agreement dated February 28, 2009 in relation to the Hong Kong Premises;
- (29) a licence dated May 25, 2009 entered into between Top Promise as licensor and the Company as licensee, under which a license in relation to the Hong Kong Premises was granted by Top Promise to the Company at a licence fee of HK\$1.00 per month;
- (30) the deed of non-competition undertaking dated May 28, 2009 given by Mr. Suolang Duoqi and Nice Ace in favor of our Company;


(31) the deed of indemnity dated June 3, 2009 given by each of Nice Ace and Mr. Suolang Duoqi in favor of our Group containing the indemnities as referred to in the sections headed “Other Information — Estate Duty and Tax Indemnity” and “Other Indemnities” in this Appendix; and

(32) the Hong Kong Underwriting Agreement.

2. Intellectual property rights of our Group

(a) Trademarks

(i) As at the Latest Practicable Date, we have registered the following trade marks with the relevant authorities:

Trade mark	Territory	Class	Registration number	Registration date	Expiry date
川眉牌	PRC	1 (<i>Note 1</i>)	286585	May 10, 1987	May 9, 2017
三蘇	PRC	5 (<i>Note 2</i>)	181609	July 5, 1993	July 4, 2013
川眉牌	PRC	5 (<i>Note 3</i>)	870078	September 14, 1996	September 13, 2016
川眉牌	PRC	1 (<i>Note 4</i>)	872081	September 21, 1996	September 20, 2016
CM	PRC	1 (<i>Note 5</i>)	1242011	January 28, 1999	January 27, 2019
大洪山	PRC	1 (<i>Note 6</i>)	1242033	January 28, 1999	January 27, 2019
川眉牌	PRC	2 (<i>Note 7</i>)	3000128	March 28, 2003	March 27, 2013
Trade mark	Territory	Class(es)	Trade mark number	Registration date	Expiry date
	Hong Kong	1,3,5 (<i>Note 8</i>)	301050281	February 13, 2008	February 13, 2018
旭光	Hong Kong	1,3,5(<i>Note 9</i>)	301052126	February 15, 2008	February 15, 2018

Notes:

(1) Class 1: Anhydrous sodium sulphate.

(2) Class 5: Medical thenardite.

(3) Class 5: Medical thenardite

(4) Class 1: Potassium sulphate, sodium silicate.

(5) Class 1: Anhydrous sodium sulphate, potassium sulphate, sodium silicate, potassium nitrate.

(6) Class 1: Anhydrous sodium sulphate, potassium sulphate, sodium silicate, potassium nitrate.

(7) Class 2: Primers, whites (colorants or paints), blues (colorants or paints), green tempered paint.

(8) Class 1: Thenardite, anhydrous sodium sulphate, potassium sulphate, sodium silicate, potassium nitrate.

Class 3: Thenardite for detergent use.

Class 5: Medical thenardite.

(9) Class 1: Thenardite, anhydrous sodium sulphate, potassium sulphate, sodium silicate, potassium nitrate.

Class 3: Thenardite for detergent use.

Class 5: Medical thenardite.

(b) Patents

As at the Latest Practicable Date, the applications of the following patents were submitted to the State Intellectual Property Office (中國國家知識產權局) and we obtained the rights of the applications and became the applicant of the following patents:

<u>Title of patents</u>	<u>Territory</u>	<u>Date of application</u>	<u>Application number</u>
A Production Technique of Ultrafine Granular Specialty Thenardite (一種超細顆粒特種芒硝的製造方法)	PRC	November 6, 2007	200710050393.7
A Production Technique of Thick Granular Specialty Thenardite (一種粗顆粒特種芒硝的製造方法)	PRC	November 6, 2007	200710050394.1
A Production Technique of High Purity Specialty Thenardite (一種高純度特種芒硝的製造方法)	PRC	June 10, 2008	200810044651.5
A Production Technique of Medical Thenardite (藥用芒硝的製造工藝)	PRC	March 20, 2009	200910058657.2

(c) Domain names

As at the Latest Practicable Date, we have registered the following domain names:

<u>Domain name</u>	<u>Registration date</u>	<u>Expiry date</u>	<u>Registered owner</u>
chinachuanmei.cn	October 18, 2004	October 18, 2010	Chuanmei Mirabilite
lumena.hk	November 9, 2007	November 22, 2009	Top Promise
lumena.com.hk	March 27, 2008	April 7, 2011	Top Promise

The information contained on the above websites does not constitute part of this prospectus.

Save as disclosed herein, there are no other trade-or service-marks, patents, other intellectual or industrial property rights that are material to the business of our Group.

3. Further information about our Group's PRC establishments

Our Company has the following subsidiaries established in the PRC, the basic information of which as at the Latest Practicable Date are set out below:

(a) Chuanmei Mirabilite

- (i) Corporate nature : Sino-foreign joint venture
- (ii) Shareholders : (a) Sichuan First as to 10% of the registered capital
(b) Top Promise as to 90% of the registered capital
- (iii) Registered capital : RMB142,077,000
- (iv) Term of operation : 24 years, from June 1, 2001 to May 17, 2025
- (v) Scope of business : Production and sale of anhydrous sodium sulphate, medical thenardite, potassium sulphate, sodium silicate, industrial chemical machinery and coatings for internal wall (except for products prohibited by the government, need special approval and limited by quota).
- (vi) Legal representative : Zhu Jimin
- (vii) Board of directors : Zhu Jimin, Li Xudong, Zhang Daming

(b) Chuanmei Glauber Salt

- (i) Corporate nature : Wholly foreign-owned enterprise
- (ii) Shareholder : Top Promise
- (iii) Registered capital : US\$50,000,000
- (iv) Date of incorporation : June 19, 2007
- (v) Scope of business : Production and sale of anhydrous sodium sulphate, specialty thenardite, medical thenardite, potassium sulphate, barium sulphate and sodium sulfide (except for products prohibited by the government, need special approval and limited by quota).
- (vi) Legal representative : Zhang Daming
- (vii) Board of directors : Zhang Daming

C. FURTHER INFORMATION ABOUT DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND EXPERTS

1. Directors

Immediately following completion of the Global Offering and taking no account of any Shares which may be allotted and issued or transferred pursuant to the exercise of the Over-allotment Option, options granted under the Pre-IPO Share Option Scheme or any options which may be granted under the Share Option Scheme and the arrangement among Mr. Suolang Duoqi, Nice Ace and Investec Bank, the interest or short position of the Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, once the Shares are listed is as follow:-

Name of the Director	Long/short position	Our Company or other members of our Group	Nature of interest	Number of Shares	Approximate percentage of shareholding
Mr. Suolang Duoqi ⁽¹⁾	Long	Company	Interest of a controlled corporation	828,864,400	43.08%
Mr. Suolang Duoqi ⁽²⁾	Short	Company	Interest of a controlled corporation	55,714,286	2.9%

Notes:

- (1) The Shares are held by Nice Ace, a company incorporated in the BVI, the entire issued share capital of which is beneficially owned by Mr. Suolang Duoqi, the Controlling Shareholder, chairman and a non-executive Director of our Company.
- (2) On November 11, 2008, Mr. Suolang Duoqi and Nice Ace entered into a loan agreement with Investec Bank, pursuant to which Investec Bank may in its sole discretion, take delivery of the 55,714,286 Shares currently owned by Nice Ace in lieu of cash repayment of the loan if our Company completes an IPO within 18 months after the drawdown date. If Investec Bank elects to take delivery of the shares, the percentage holding of Nice Ace will decrease accordingly. See "History, Reorganization and Corporate Structure — Loan Agreement between Mr. Suolang and Investec Bank" for a description of the loan arrangement.

As at the Latest Practicable Date, the following options have been conditionally granted to the following Directors under the Pre-IPO Share Option Scheme:

Name of Director	Date of grant	Number of Shares subject to the option	Exercise price
Zhang Daming	April 30, 2008	4,218,000	Offer Price
Deng Xianxue	April 30, 2008	3,990,000	Offer Price
Li Xudong	April 30, 2008	3,192,000	Offer Price

2. Substantial Shareholders

So far as the Directors are aware, immediately following completion of the Global Offering, and taking no account of any Shares which may be allotted and issued or transferred pursuant to the exercise of the Over-allotment Option, options granted under the Pre-IPO Share Option Scheme or any options which may be granted under the Share Option Scheme and the arrangement among Mr. Suolang Duoqi, Nice Ace and Investec Bank, the following persons (other than the Directors and the chief executive of our Company) will have or be deemed or

taken to have an interest and/or short position in the Shares or underlying Shares which will be required to be disclosed to our Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or are directly or indirectly, interested in 10% or more of the nominal value of any class of the share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

(i) Interests in our Company

<u>Name</u>	<u>Long/short position</u>	<u>Our Company or other members of our Group</u>	<u>Nature of interest</u>	<u>Number of Shares</u>	<u>Approximate percentage of shareholding</u>
Nice Ace ⁽¹⁾	Long	Company	Beneficial owner	828,864,400	43.1%
Nice Ace ⁽²⁾	Short	Company	Beneficial owner	55,714,286	2.9%
Mandra Mirabilite ⁽³⁾	Long	Company	Beneficial owner	266,238,000	13.8%
Woo Foong Hong ⁽⁴⁾	Long	Company	Interest of a controlled corporation	266,238,000	13.8%
Moonchu ⁽⁵⁾	Long	Company	Interest of a controlled corporation	266,238,000	13.8%

Notes:

- (1) Nice Ace, a limited liability company incorporated in the BVI, is wholly owned by Mr. Suolang Duoqi.
- (2) On November 11, 2008, Mr. Suolang Duoqi and Nice Ace entered into a loan agreement with Investec Bank, pursuant to which Investec Bank may in its sole discretion, take delivery of the 55,714,286 Shares currently owned by Nice Ace in lieu of cash repayment of the loan if our Company completes an IPO within 18 months after the drawdown date. If Investec Bank elects to take delivery of the shares, the percentage holding of Nice Ace will decrease accordingly. See "History, Reorganization and Corporate Structure — Loan Agreement between Mr. Suolang and Investec Bank" for a description of the loan arrangement.
- (3) Mandra Mirabilite, a limited liability company incorporated in the BVI, is wholly owned by Woo Foong Hong.
- (4) Woo Foong Hong, a limited liability company incorporated in the BVI, is owned by Moonchu and is deemed to be interested in the 266,238,000 Shares held by Mandra Mirabilite under the provisions of the SFO.
- (5) Moonchu, a tax-exempt charity established by Mr. Zhang Songyi and his family, held the entire issued share capital of Woo Foong Hong which in turn held the entire issued share capital of Mandra Mirabilite. Moonchu is deemed to have an interest in the 266,238,000 Shares held by Mandra Mirabilite under the provisions of the SFO.

(ii) Interests in Chuanmei Mirabilite

<u>Name</u>	<u>Nature of interest</u>	<u>Approximate percentage of shareholding</u>
Sichuan First	Beneficial owner	10%

Save as disclosed above, our Directors confirm that they are not aware of any persons who will immediately following completion of the Global Offering be interested or deemed to be interested under Part XV of the SFO in 10% or more of the Shares then in issue, or who have interests of short positions in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. Particulars of Directors' service contracts

(1) Each of the executive Directors has entered into a service contract with our Company. Particulars of these contracts, except as indicated, are in all material respects identical and are summarized below:

- (a) each of the executive Directors is appointed for an initial term of three years commencing from the Listing Date;
- (b) each of the executive Directors is entitled to the respective annual salary set out below (subject to an annual review);
- (c) each of the executive Directors is entitled to an annual discretionary bonus and a year end payment after working for 12 months, provided that the aggregate amount of discretionary bonus payable to all executive and non-executive Directors for any financial year of the Company may not exceed five per cent of the audited consolidated profits attributable to our Shareholders (after deducting tax and profit attributable to minority) in respect of the relevant financial year of our Company. An executive Director may not vote on any resolution of the Directors regarding the amount of bonus payable to him/her. The amount of the annual year end payment shall equal to the monthly salary of the corresponding executive Director and shall be subject to the review and adjustment of our Company. In the event the service period of the executive Director is less than 12 months in the relevant financial year, the annual year end payment will be distributed on a pro rata basis.
- (d) each service contract may be terminated by either party thereto giving to the other party not less than three months' prior notice in writing; and
- (e) the basic annual salaries of the executive Directors are as follows:

Zhang Daming	HK\$1,040,000
Deng Xianxue	HK\$1,040,000
Li Xudong	RMB454,000

(2) Each of the non-executive Directors has entered into a service contract with our Company. Particulars of these contracts, except as indicated, are in all material respects identical and are summarized below:

- (a) each of the non-executive Directors is appointed for an initial term of three years commencing from the Listing Date;
- (b) each of the non-executive Directors is entitled to the respective annual salary set out below (subject to an annual review);
- (c) each of the non-executive Directors is entitled to an annual discretionary bonus and a year end payment after working for 12 months, provided that the aggregate amount of discretionary bonus payable to all executive and non-executive Directors for any financial year of the Company may not exceed five per cent of the audited consolidated profits attributable to our Shareholders (after deducting tax and profit attributable to minority) in respect of the relevant financial year of our Company. A non-executive Director may not vote on any resolution of the Directors regarding the amount of bonus payable to him. The amount of the annual year end payment shall equal to the monthly salary of the corresponding non-executive Director and shall be subject to the review and adjustment of our Company. In the event that the service period of the non-executive Director is less than 12 months in the relevant financial year, the annual year end payment will be distributed on a pro-rata basis.

- (d) each service contract may be terminated by either party thereto giving to the other party not less than three months' prior notice in writing; and

- (e) the basic annual salaries of the non-executive Directors are as follows:

Suo Lang Duo Ji	HK\$1,300,000
Wang Chun Lin	HK\$1,404,000
Zhang Songyi	HK\$1,300,000

(3) Each of the independent non-executive Directors has signed a letter of appointment with our Company. Particulars of these appointment letters, except as indicated, are in all material respects identical and are summarized below:

- (a) each of the independent non-executive Directors is appointed for an initial term of three years commencing from the Listing Date;

- (b) each appointment letter may be terminated by either party thereto giving to the other party not less than three months' prior notice in writing; and

- (c) the annual fees payable to each of the independent non-executive Directors are as follows:

Patrick Logan Keen	HK\$400,000
Koh Tiong Lu John	HK\$300,000
Wong Chun Keung	HK\$300,000

4. Directors' remuneration

During the year ended December 31, 2008, the aggregate of the remuneration paid and benefits in kind granted to the Directors by our Group were approximately RMB8.1 million. Further information in respect of the Directors' remuneration is set out in Appendix I to this prospectus.

Under the arrangements currently in force, the estimated amount of directors' fees and other emoluments payable to the Directors for the year ending December 31, 2009 will be approximately HK\$5,560,000.

5. Related party transactions

The Group entered into certain related party transactions within the two years immediately preceding the date of this prospectus as mentioned in note 33 of the section headed "Notes to the Financial Information" of the Accountants' Report set out in Appendix I to this prospectus.

6. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group.

7. Disclaimers

Save as disclosed herein:

- (a) none of the Directors or the chief executive of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporation (within

the meaning of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, once the Shares are listed;

- (b) none of the Directors or experts referred to under the paragraph headed “Consents of experts” in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) none of the Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) the Directors are not aware of any person (not being a Director or the chief executive of our Company) who will, immediately following completion of the Global Offering, have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested, directly or indirectly, in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;
- (f) none of the experts referred to under the paragraph headed “Consents of experts” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (g) none of the Directors, their respective associates (as defined under the Listing Rules), or our Shareholders of our Company who are interested in more than 5 per cent. of the issued share capital of our Company has any interest in our Group’s five largest customers and five largest suppliers.

D. OPTION SCHEMES

I. Pre-IPO Share Option Scheme

(a) Summary of terms of the Pre-IPO Share Option Scheme

The purpose of the Pre-IPO Share Option Scheme is to recognize the contribution to our Group by the executive Directors, senior managerial staff and employees of our Group and to retain those persons whose contributions are important to the long-term growth and profitability of our Group.

The principal terms of the Pre-IPO Share Option Scheme, approved by written resolutions of our Shareholders dated April 30, 2008 are set out as follows:

(i) Conditions

The grant of options under the Pre-IPO Share Option Scheme is subject to the following conditions:

- (a) the passing of the necessary resolutions of our Shareholders to approve and adopt the rules of the Pre-IPO Share Option Scheme;
- (b) the Listing Committee of the Stock Exchange granting for the Listing of, and permission to deal in, the Shares falling to be issued pursuant to the exercise of the options under the Pre-IPO Share Option Scheme;
- (c) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with their terms or otherwise; and
- (d) the commencement of dealings in the Shares on the Stock Exchange.

(ii) The Grantees

The Pre-IPO Share Option Scheme is available to those individuals who are granted options by the Board in its discretion by reason of their contribution to our Group as prerequisite conditions for the option grantees to exercise their options and, subject to the approval of the Board, a person or persons who, in accordance with the applicable laws of succession, is or are entitled to any such options in consequence of the death of any such grantees.

(iii) Number of Shares

The total number of Shares subject to the Pre-IPO Share Option Scheme is 76,000,000 Shares.

(iv) Subscription Price

The subscription price for each Share under the Pre-IPO Share Option Scheme is the Offer Price.

(v) Duration of Scheme

The Pre-IPO Share Option Scheme will remain in force for a period commencing on the date on which the Pre-IPO Share Option Scheme was adopted by our Shareholders and ending on the Latest Practicable Date (both dates inclusive), and after which no further options will be offered or granted under the Pre-IPO Share Option Scheme but in other respects the provisions of the Pre-IPO Option Scheme shall remain in full force and effect.

(vi) Exercise of Options

Options granted under the Pre-IPO Share Option Scheme can only be exercised in the following manner:

(A) For grantees who have joined our Company for at least one calendar year as of the Listing Date

<u>Exercise Period</u>	<u>Maximum number of options exercisable</u>
Any time from the 15 th business day after the Listing Date until the 1 st anniversary of the Listing Date	1 st phase options, being up to half of the total number of options granted
Any time after the 1 st anniversary of the Listing Date until the 2 nd anniversary of the Listing Date	2 nd phase options, being up to two-thirds of the total number of options granted less the number of options already exercised
At any time after the 2 nd anniversary of the Listing Date until the 3 rd anniversary of the Listing Date	3 rd phase options, being up to five-sixths of the total number of options granted less the number of options already exercised
At any time after the 3 rd anniversary of the Listing Date until expiry of the validity period of the relevant options	4 th phase options, being such number of options granted less the number of options already exercised

(B) For grantees who have joined our Company for less than one calendar year as of the Listing Date

<u>Exercise Period</u>	<u>Maximum number of options exercisable</u>
Any time after the 1 st anniversary of the Listing Date until the 2 nd anniversary of the Listing Date	1 st phase options, being up to half of the total number of options granted
Any time after the 2 nd anniversary of the Listing Date until the 3 rd anniversary of the Listing Date	2 nd phase options, being up to two-thirds of the total number of options granted less the number of options already exercised
Any time after the 3 rd anniversary of the Listing Date until the 4 th anniversary of the Listing Date	3 rd phase options, being up to five-sixths of the total number of options granted less the number of options already exercised
Any time after the 4 th anniversary of the Listing Date until expiry of the validity period of the relevant options	4 th phase options, being such number of options granted less the number of options already exercised

The expiry date of the exercise period of any such options shall be set out more particularly in the relevant option offer letter provided that such exercise period must expire on the date falling on the seventh (7th) anniversary of the Listing Date.

(vii) Rights Personal to Grantees

The options shall be personal to the grantee and shall not be assignable. The grantees shall not sell, transfer, charge, mortgage, encumber, create any interest (legal or beneficial) or otherwise dispose of the options and any reach of the foregoing shall entitle our Company to cancel any option granted to such grantee to the extent not already exercised.

(viii) Lapse of Options

The options shall lapse automatically upon:

- (a) the expiry date of the exercise period;

- (b) the expiry of any of the periods referred to in any events of takeover, compromise, merger, restructuring or winding-up of our Company as stipulated in the terms of the Pre-IPO Share Option Scheme;
- (c) the date on which any proposed compromise, merger or restructuring of our Company, as stipulated in the terms of the Pre-IPO Share Option Scheme, shall take effect;
- (d) the date of commencement of the winding-up of our Company;
- (e) the date on which the grantee ceases to be an employee of our Group by reasons of his/her resignation (upon 30 days' prior written notice to our Company) or dismissal with cause, or by reason of the termination of his/her relationship with our Group on any one or more of the grounds that he/she has been guilty of serious misconduct or has been convicted of any criminal offence involving his/her integrity or honesty or in relation to an employee of our Group (if so determined by the Board) or any other ground on which an employer would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group;
- (f) the date on which the Board cancels the options as a result of the grantee's breach of the stipulations in the terms of the Pre-IPO Share Option Scheme that the grantee shall not dispose, transfer, pledge, charge, encumber or create an interest in favor of third party in relation to any options granted; or
- (g) the date on which the options are cancelled by the Board in accordance with the terms of the Pre-IPO Share Option Scheme.

(ix) *Ranking of Shares*

The Shares to be allotted and issued upon the exercise of the options shall rank *pari passu* in all respects with the existing fully paid Shares in issue on the date on which the options are exercised.

(x) *Right to Cancel Options*

Our Company shall have the right to cancel any options granted prior to the Listing without paying any compensation to the grantees with a view to obtaining the approval for Listing.

(xi) *Maximum Number of Shares to be Allotted*

The aggregate number of the Shares to be allotted and issued under the options which are not yet exercised shall not exceed approximately 5% of the total issued share capital of our Company immediately before completion of the Global Offering.

(b) *Outstanding Options Granted under the Pre-IPO Share Option Scheme*

As of the Latest Practicable Date, options to subscribe for an aggregate of 76,000,000 Shares (representing approximately 5% of the total issued share capital of our Company immediately before completion of the Global Offering) have been conditionally granted to 198 participants by our Company in consideration of HK\$1 for each grant under the Pre-IPO Share Option Scheme. All the options under the Pre-IPO Share Option Scheme were granted on April 30, 2008 and no further options will be granted under the Pre-IPO Share Option Scheme after the Latest Practicable Date. Assuming that all the options granted under the Pre-IPO Share Option Scheme had been exercised in full on the Listing Date and that 2,000,000,000 Shares, comprising 1,924,000,000 Shares to be in issue immediately after the Global Offering and 76,000,000 Shares to be issued upon the exercise

of all the options granted under the Pre-IPO Share Option Scheme and assuming the Global Offering was completed on January 1, 2009, but not taking into account any Shares which may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme, this would have a dilutive effect on the pro forma forecast basic earnings per Share for the year ending December 31, 2009 from approximately RMB0.26 to approximately RMB0.25. The Directors have confirmed that the grant and exercise in full of all options granted under the Pre-IPO Share Option Scheme will cause no material adverse change in the financial position of our Company.

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

Particulars of the options granted under the Pre-IPO Share Option Scheme are as follows:

<u>Name and title of grantee</u>	<u>Date of joining our Company</u>	<u>Residential address</u>	<u>No. of Shares to be issued upon full exercise of options</u>	<u>% of total no. of Shares to be issued upon full exercise of options</u>	<u>% of total issued share capital immediately after Global Offering ^(Note)</u>
<u>Directors</u>					
Zhang Daming (executive Director and chief executive officer)	August 25, 2004	# 3-11 Sanlizhaiyuan, 6 Zhonghe Avenue Chengdu PRC	4,218,000	5.550	0.219
Deng Xianxue (executive Director)	January 15, 2005	# 6-1-7, 8 Zhixin Road Wuhou District Chengdu PRC	3,990,000	5.250	0.207
Li Xudong (executive Director)	August 25, 2004	# 25-4-5, 1 Binhe Road Fuhe Yinyue Garden Huayang District Shuang Liu County Chengdu PRC	3,192,000	4.200	0.166
<u>Senior Management</u>					
Zhu Ben Yu (chief financial officer and company secretary)	December 17, 2007	Flat 22G Block 10 Villa Esplanada Tsing Yi New Territories Hong Kong	3,042,000	4.003	0.157
Zhu Jimin (mining director)	August 25, 2004	384# Meixiang Road Dongpo District Meishan PRC	2,857,000	3.759	0.154
Li Chunxian (chief engineer)	August 25, 2004	23-2-3, Binhe Road No.1 (Section 4) Huayang County, Sichuan Province PRC	1,968,000	2.589	0.102

Name and title of grantee	Date of joining our Company	Residential address	No. of Shares to be issued upon full exercise of options	% of Total no. of options shares granted	% of total issued share capital immediately after Global Offering ^(Note)
Gou Xingwu (human resources and purchase director)	August 25, 2004	384# Meixiang Road Dongpo District Meishan PRC	2,857,000	3.759	0.154
Li Hongqing (production director)	August 25, 2004	384# Meixiang Road Dongpo District Meishan PRC	2,731,000	3.593	0.142
Liu Qiru (deputy chief engineer)	August 25, 2004	384# Meixiang Road Dongpo District Meishan PRC	1,967,000	2.588	0.102
Cao Bin (deputy general manager of Chuanmei Mirabilite and Chuanmei Glauber Salt)	September 29, 2004	1-6-2, Xingda No.2 Da An District Zigong, Sichuan Province PRC	1,968,000	2.589	0.102
		Sub-total: 10 grantees who are Directors or senior management of our Group	28,790,000	37.88	1.50
188 grantees who are employees of our Group			47,210,000	62.12	2.45
		Total: 198 grantees	76,000,000	100	3.95

Note:

Assuming that all options granted under the Pre-IPO Share Option Scheme or options that may be granted under the Share Option Scheme are not exercised.

Assuming that all the outstanding options granted under the Pre-IPO Share Option Scheme were exercised in full on the Listing Date, the shareholding interest of the public would be changed from 30.0% to approximately 28.9% of our total issued share capital, taking into no account of any Shares that may be allotted and issued or transferred pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme.

The Directors have agreed not to exercise their options if such exercise of any part or parts of which will result in the drop of the public float to a level below 25% of the issued share capital of our Company from time to time.

(c) Exemption from the SFC and Waiver from the Stock Exchange

In accordance with section 342(1)(b) and paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance, our Company shall disclose in this prospectus the names, addresses and the number of options granted to each of the grantees under the Pre-IPO Share Option Scheme and other required particulars such as the exercisable period, the price payable for subscription of Shares under an option, and the consideration given for grant of an option.

In accordance with Rule 17.02(1)(b) of the Listing Rules, our Company shall disclose full details of all outstanding options and their potential dilutive effect on the shareholdings upon Listing as well as the impact on the earnings per share arising from the exercise of such outstanding options in respect of the Pre-IPO Share Option Scheme. It is also required in paragraph 27 of Appendix 1A of the Listing Rules that our Company shall disclose all particulars of any capital of any member of our Group which is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee, or an appropriate negative statement, provided that where options have been granted or agreed to be granted to all members or debenture holders or to any class thereof, or to employees under a share scheme, it shall be sufficient, so far as the names and addresses are concerned, to record that fact with giving the names and addresses of the grantees.

Our Company has applied to (i) the SFC for a certificate of exemption under section 342A of the Companies Ordinance from strict compliance with the disclosure requirements of paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance, and (ii) the Stock Exchange for a waiver from full compliance with the disclosure requirements of Rule 17.02(1)(b) and paragraph 27 of Appendix 1A of the Listing Rules, in respect of the names and addresses of the employees of our Group to whom options have been granted under the Pre-IPO Share Option Scheme on the ground that full compliance with these requirements would be unduly burdensome for our Company for the following reasons:

- (a) The grant and exercise in full of the options granted under the Pre-IPO Share Option Scheme will not cause any material adverse change in the financial position of our Company.
- (b) Under the Pre-IPO Share Option Scheme, there are, in total, 198 grantees comprised of 3 Directors, 7 senior managerial staff and 188 employees of our Group. Full disclosure of the required particulars of the entitlements of both senior managerial staff and employees of our Group under the Pre-IPO Share Option Scheme on an individual basis would be costly and unduly burdensome for our Company to comply with.
- (c) Our Company considers that disclosure of the information in the section headed “Outstanding Options Granted under the Pre-IPO Share Option Scheme” already provided potential investors with necessary and sufficient information for them to make an informed assessment of the potential dilutive effect and impact on earnings per share of the options granted under the Pre-IPO Share Option Scheme.

The Stock Exchange has granted the waiver on the conditions that:

- (a) the following information and particulars shall be disclosed in this prospectus:
 - (i) on an individual basis, the details of all options granted under the Pre-IPO Share Option Scheme to the Directors of our Company and its subsidiaries, members of senior management of our Group and the Connected Persons of our Group, and such details shall include all information and particulars required under Rule 17.02(1)(b) of and paragraph 27 of Part A of Appendix I to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies Ordinance;
 - (ii) on an aggregated basis, other than those grantees as referred to in paragraph (a)(i), the number of grantees and the number of Shares to be subscribed for under the options granted under the Pre-IPO Share Option Scheme, the consideration paid for the grant of the options granted under the Pre-IPO Share Option Scheme, the period during which the options granted under the Pre-IPO Share Option Scheme are exercisable, and the subscription price to be paid for the Shares upon exercise of the options granted under the Pre-IPO Share Option Scheme;

- (iii) the dilutive effect and impact on earnings per share upon full exercise of the option granted under the Pre-IPO Share Option Scheme;
 - (iv) the aggregate number of Shares subject to the outstanding options granted by our Company under the Pre-IPO Share Option Scheme and the percentage of our Company's issued share capital of which such number represents; and
- (b) a list of all grantees (including both the senior managerial staff and the employees of our Group) of the options granted by our Company under the Pre-IPO Share Option Scheme providing information required under Rule 17.02(1)(b) and paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I to the Third Schedule to the Companies Ordinance will be available for public inspection in accordance with the paragraph headed "B. Documents Available for Inspection" in Appendix IX to this prospectus.

The SFC has granted the exemption on the following conditions:

- (a) the following information and particulars shall be disclosed in this prospectus:
- (i) on an individual basis, the details of all options granted under the Pre-IPO Share Option Scheme to the Directors of our Company and its subsidiaries, members of senior management of our Group, and such details shall include all information and particulars required under paragraph 10 of the Part I of the Third Schedule to the Companies Ordinance;
 - (ii) on an aggregated basis, other than those grantees as referred to in paragraph (a)(i), the number of grantees and the number of Shares to be subscribed for under the options granted under the Pre-IPO Share Option Scheme, the consideration paid for the grant of the options granted under the Pre-IPO Share Option Scheme, the period during which the options granted under the Pre-IPO Share Option Scheme are exercisable, and the subscription price to be paid for the Shares upon exercise of the options granted under the Pre-IPO Share Option Scheme; and
- (b) a list of all grantees (including both the senior managerial staff and the employees of our Group) of the options granted by our Company under the Pre-IPO Share Option Scheme providing information required under paragraph 10 of Part I to the Third Schedule to the Companies Ordinance will be available for public inspection in accordance with the paragraph headed "B. Documents Available for Inspection" in Appendix IX to this prospectus.

The Directors are also of the view that, in considering the above conditions or requirements undertaken by our Company, the non-compliance with the relevant disclosure requirements under section 342A of the Companies Ordinance and of Rule 17.02(1)(b) and paragraph 27 of Appendix 1A of the Listing Rules will not prevent our Company from providing an informed assessment of the activities, assets, liabilities, financial position, management and prospects of our Company to its perspective investors.

II. Share Option Scheme

1. Summary of terms

The following is a summary of the principal terms of the Share Option Scheme (the “Scheme”) and adopted conditionally approved by a resolution of our Shareholders passed on May 26, 2009 (the “Adoption Date”):

For the purpose of this section, unless the context otherwise requires:

“Offer Date”	means the date of grant of the Option in accordance with the Scheme;
“Grantee”	means any Participant (as defined below) who accepts an offer of grant of any Option in accordance with the terms of the Scheme of (where the context so permits) a person entitled, in accordance with the laws of succession, to any Option in consequence of the death of the original Grantee;
“Options”	means the options to subscribe for Shares pursuant to the Scheme;
“Option Period”	means the period of time where the Grantee may exercise the Option, which period shall not be more than 10 years from the Offer Date to be notified by the Board to each Grantee which period of time shall commence on the Offer Date and expire on the last day of such period as determined by the Board;
“Shares”	means fully-paid ordinary shares of US\$0.00001 each in the share capital of our Company (or, if there has been a consolidation, reduction, re-classification, sub-division or reconstruction of the share capital of our Company, ordinary shares forming part of the equity share capital of our Company of such revised amount as shall result from such sub-division, consolidation, reduction, reclassification or reconstruction of such ordinary shares from time to time);

(a) Who may join

The Directors may at their absolute discretion grant Options to all Directors (whether executive or non-executive and whether independent or not), any employee (whether full-time or part-time), any consultant or adviser of or to our Company or our Group (whether on an employment or contractual or honorary basis and whether paid or unpaid), who, in the absolute opinion of the Board, have contributed to our Company or our Group and each of the persons mentioned above is referred to as a “Participant”.

(b) Purpose of the scheme

The purpose of the Scheme is to provide the people and the parties working for the interests of our Group with an opportunity to obtain an equity interest in our Company, thus linking their interest with the interest of our Group and thereby providing them with an incentive to work better for the interest of our Group.

(c) Conditions

The Scheme is conditional upon:

- (i) the passing of a resolution by our Shareholders approving the terms of the Scheme;
- (ii) the Listing Committee granting the Listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and granting the Listing of, and permission to deal in, any Shares which may be issued pursuant to the exercise of the Options granted under the Scheme; and

- (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of such agreements or otherwise.

(d) Duration and administration

The Scheme shall continue in force for the period commencing from the Adoption Date and expiring at the close of business on the tenth anniversary of the Listing Date (the “Scheme Period”), after which period no further options shall be granted but the provisions of the Scheme shall remain in full force and effect in all other respects in respect of Options remaining outstanding and exercisable on the expiry of the Scheme Period.

The Scheme shall be subject to the administration of the Board whose decision (save as otherwise provided in the Scheme) shall be final and binding on all parties.

(e) Grant of Options

An offer of the grant of Options shall be made to a Participant in writing in such form as the Board may from time to time determine specifying, *inter alia*, the maximum number of Shares in respect of which such offer is made and requiring the Participant to undertake to hold the Options on the terms of which they are to be granted and to be bound by the provisions of the Scheme and shall remain open for acceptance by the Eligible Person to whom the offer is made for a period of twenty eight (28) days (or such other period as the Board may determine) from the Offer Date provided that no such offer shall be open for acceptance after the expiry of the Scheme Period or after the Scheme has been terminated in accordance with the terms of the Scheme.

On and subject to the terms of the Scheme, the Board shall be entitled at any time during the Scheme Period to offer to grant Options to any Participant as the Board may at its absolute discretion select, and subject to such conditions and restrictions as the Board may think fit.

An offer shall be deemed to have been accepted when the duplicate letter comprising acceptance of the Options, duly signed by the Participant, together with the remittance of HK\$1 in favor of our Company, irrespective of the number of Shares in respect of which the Options is accepted, as consideration for the grant is received by our Company within twenty eight (28) days from the Offer Date (or such other period as the Board may determine).

The Offer Date shall be the date on which the offer relating to such Options are duly approved by the Board in accordance with the Scheme.

(f) Price sensitive information

No offer of Options shall be made after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been published by our Company. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the Board meeting for the approval of our Company’s results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules), and (ii) the deadline of our Company to publish its interim or annual results announcement under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no Options may be granted. The period during which no Options may be granted will cover any period of delay in the publication of a results announcement.

(g) Grant of Options to connected persons

Where a grant of Options to a Connected Person of our Company under the Scheme must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options).

Where any Options granted to a Substantial Shareholder (as defined in the Listing Rules) of our Company or an independent non-executive Director or any of their respective associates would result in the number and value of Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding but excluding Options which have lapsed) to such person in the 12-month period up to and including the date of such grant (i) exceeding in aggregate over 0.1% of the Shares in issue; and (ii) exceeding an aggregate value, (based on the closing price of the Shares on the Stock Exchange at the Offer Date) in excess of HK\$5 million, such further grant of Options must be approved by the Shareholders by taking of a poll in a general meeting. The Company must send a circular to the Shareholders. All Connected Persons of our Company must abstain from voting (except that any Connected Person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular) at the general meeting. The circular must contain: (i) detail of the number and terms (including the Subscription Price (as defined below) of the Options to be granted to each Participant, which must be fixed before the general meeting concerned; (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the Grantee of the Options) to the independent Shareholders as to voting; and (iii) the information required under the relevant provisions of Chapter 17 of the Listing Rules.

(h) Subscription price

The subscription price in respect of any particular Options shall be such price as the Board may at its absolute discretion determine at the time of the grant of the relevant Options (and shall be stated in the letter containing the offer of the grant of the Options (the “Subscription Price”)), but in any case the Subscription Price must be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the Offer Date, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets for the five (5) business days immediately preceding the Offer Date; and (iii) the nominal value of a Share. For the purpose of calculating the Subscription Price where our Company has been listed for less than five (5) business days, the Offer Price shall be used as the closing price of any business day falling within the period before Listing.

(i) Rights are personal to Grantee

Options shall be personal to the Grantee and shall not be transferable or assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor or any third party over or in relation to any Options or attempt to do so.

(j) Exercise of Options

Subject to any condition or restriction in connection with the exercise of the Options which may be imposed by the Board when granting the Options and other provisions of the Schemes, the Options may be exercised by the Grantee (or his legal personal representative) at any time during the Option Period, provided that paragraph (k), (l) or (m) below has been satisfied.

(k) Rights on ceasing employment

In the event that the Grantee ceases to be a Participant for any reason (other than on his death) including the termination of his employment or engagement with our Group on one or more of the grounds specified in

(r)(vi) below, the Option granted to such Grantee will lapse on the date of such cessation (to the extent not already exercised) and will not be exercisable unless the Board otherwise determines to grant an extension at the absolute discretion of the Board in which event the Grantee may exercise the Option within such period of extension and up to a maximum entitlement directed at the absolute discretion of the Board on the date of grant of extension (to the extent which has become exercisable and not already exercised) and subject to any other terms and conditions decided at the discretion of the Board. For the avoidance of doubt, such period of extension (if any) shall be granted within and in any event ended before the expiration of the period of one month following the date of his cessation to be a Participant or the relevant Option Period, whichever is earlier.

(l) Rights on death

In the event the Grantee who is an individual dies before exercising the Option in full and none of the events which would be a ground for termination of his employment or engagement under (r)(vi) arises, the personal representative(s) of the Grantee shall be entitled to exercise the Option up to the entitlement of such Grantee as at the date of death (to the extent which has become exercisable and not already exercised) within a period of 12 months from the date of death (provided that such exercise is made during the Option Period) or such longer period as the Board may at its absolute discretion determine.

(m) Rights on a take-over or share repurchase

If a general or partial offer, whether by way of take-over or share re-purchase offer (but other than by way of scheme of arrangement), is made to all the Shareholders (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert (within the meaning of the Codes on Takeovers and Mergers and Share Repurchases) with the offeror) and if such offer becomes or is declared unconditional prior to the expiry of the relevant Option Period, the Grantee (or his personal representative(s)) shall be entitled to exercise the Option in full (to the extent which has become exercisable on the date of the notice of the offeror and not already exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(n) Rights on a compromise or arrangement

Other than a general or partial offer by way of a scheme of arrangement contemplated under the Scheme, if a compromise or arrangement between our Company and its Shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice thereof to all the Grantees on the same date as it dispatches the notice which is sent to each member or creditor of our Company summoning the meeting to consider such a compromise or arrangement, and thereupon each Grantee may by notice in writing to our Company accompanied by the remittance for the full amount of the Subscription Price in respect of the relevant Option (such notice to be received by our Company not later than two Business Days before the proposed meeting) exercise any of his Options (to the extent which has become exercisable and not already exercised) whether in full or in part, but the exercise of an Option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court of competent jurisdiction and becoming effective. Our Company shall as soon as possible and in any event no later than the Business Day immediately prior to the date of the proposed meeting referred to above, allot and issue such number of Shares to the Grantee which falls to be issued on such exercise credited as fully paid and register the Grantee as holder of such Shares. Upon such compromise or arrangement becoming effective, all Options shall lapse except insofar as previously exercised under the Scheme. Our Company may require the Grantee (or his personal representative(s)) to transfer or otherwise deal with the Shares issued as a result of the exercise of Options in these circumstances so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

(o) Rights on winding-up by court order

If a notice is given by our Company to the Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith after it despatches such notice to each member of our Company give notice thereof to all the Grantees and thereupon, each Grantee (or his respective personal representative(s)) may, subject to the provisions of all applicable laws, by notice in writing to our Company, accompanied by the remittance for the full amount of the Subscription Price in respect of the relevant Option (such notice to be received by our Company not later than two Business Days prior to the proposed general meeting of our Company) exercise the Option (to the extent which has become exercisable and not already exercised) whether in full or in part and our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue such number of Shares to the Grantee which falls to be issued on such exercise credited as fully paid and register the Grantee as holder of such Shares.

(p) Ranking of shares

The Shares to be allotted and issued upon the exercise of Options will be subject to the Articles of Association in force at that time including with respect to voting and transfer rights and rights arising on a liquidation of our Company and will rank *pari passu* in all respects with the fully paid Shares in issue as of the date of allotment and thereafter the holders thereof will be entitled to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividends or other distributions previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment.

(q) Performance target

The Grantee will not be required to achieve, meet or exceed any performance targets before that particular Grantee can exercise the Options granted, except those otherwise imposed by the Board pursuant to paragraph (e) above and/or stated in the offer of grant of the Options.

(r) Lapse of options

The right to exercise an Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period;
- (ii) the expiry of the periods referred to in paragraph (k), (l) or (n), where applicable;
- (iii) subject to the court of competent jurisdiction not making an order prohibiting the offeror from acquiring the remaining shares in the offer, the expiry of the period referred to in paragraph (m);
- (iv) subject to the scheme of arrangement becoming effective, the Grantee may thereafter (but only until such time as shall be notified by our Company, after which it shall lapse) exercise the Option (to the extent which has become exercisable and not already exercised) to its full extent or to the extent specified in such notice;
- (v) subject to the expiry of the period of extension (if any) referred to in paragraph (k), the date on which the grantee ceases to be a Participant for any reason other than his death or the termination of his employment or engagement on one or more grounds specified in (vi) below;

- (vi) the date on which the grantee of an option ceases to be a Participant by reason of the termination of his employment or engagement on grounds including, but not limited to, misconduct, bankruptcy, insolvency, and conviction of any criminal offence;
- (vii) subject to paragraph (o) the date of the commencement of the winding-up of our Company;
- (viii) the date on which the grantee commits a breach of paragraph (i); or
- (ix) the date on which the option is cancelled by the Board as set forth in paragraph (t).

(s) *Maximum number of Shares available for subscription*

The maximum aggregate number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Scheme and any other schemes of our Company must not exceed in aggregate 30 per cent. of the Shares of our Company in issue from time to time (the “Overall Scheme Limit”). No Options may be granted under any schemes of our Company (or its subsidiaries) if such grant will result in the Overall Scheme Limit being exceeded. The total number of Shares which may be issued upon exercise of all Options to be granted under the Scheme and any other schemes must not in aggregate exceed 10 per cent. of the Shares of our Company (or the subsidiary) in issue immediately following the completion of the Global Offering (excluding the exercise of the options granted under the Pre-IPO Share Option Scheme), being 192,400,000 Shares (the “Scheme Mandate Limit”) for this purpose. Options lapsed in accordance with the terms of the Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit.

Subject to the Overall Scheme Limit, our Company may seek approval from our Shareholders in general meeting for “refreshing” the Scheme Mandate Limit. However, the total number of Shares which may be issued upon exercise of all Options to be granted under all of the schemes of our Company under the limit as “refreshed” must not exceed 10 per cent. of the Shares in issue as of the date of approval by our Shareholders of the renewed limited (the “Refreshed Scheme Mandate Limit”); Options previously granted under any existing schemes (including those outstanding, cancelled or lapsed in accordance with the Scheme or exercised Options) shall not be counted for the purpose of calculating the Refreshed Scheme Mandate Limit. The Company must send a circular to our Shareholders containing the information required under the relevant provisions of Chapter 17 of the Listing Rules.

Subject to the Overall Scheme Limit, our Company may seek separate approval from our Shareholders in a general meeting for granting Options to subscribe for Shares beyond the Scheme Mandate Limit or the Refreshed Scheme Mandate Limit (as the case may be) provided that the Options in excess of the Scheme Mandate Limit or the Refreshed Scheme Mandate Limit are granted only to Participants specifically identified by our Company before such approval is sought and our Company must send a circular to our Shareholders containing the information specified in the relevant provisions of the Listing Rules. Unless approved by our Shareholders in general meeting at which the relevant Participant and his/her associates abstain from voting in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules, the total number of Shares issued and to be issued upon exercise of the Options granted to such Participant (including exercised, cancelled and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue (the “Individual Limit”) at such time. With respect to any further grant of Options to an Participant exceeding in aggregate the Individual Limit, our Company must send a circular to our Shareholders and the circular must disclose the identity of the Participant, the number and terms of the Options to be granted (and Options previously granted to such Participant), and the information required under the relevant provisions of Chapter 17 of the Listing Rules. The number and terms (including the Subscription Price) of Options to be granted to such Participant must be fixed before the general meeting at which the same are approved, and the date of the Board meeting for proposing such further grant should be taken as the Option Date for the purpose of calculating the Subscription Price.

(t) Cancellation of Options

The Board may, with the consent of the relevant Grantee and such consent shall not be unreasonably withheld, at any time cancel any Option granted but not exercised. Where our Company cancels the Options and offers new Options to the same Option holder, the offer of such new Options may only be made under this Scheme with available Options (to the extent not yet granted and excluding the cancelled Options) within the limit approved by our Shareholders as mentioned in paragraph(s) above.

(u) Alteration of capital structure

In the event of any alteration in the capital structure of our Company whilst any Options remain exercisable, whether by way of capitalization issue, rights issue, subdivision, consolidation, or reduction of the share capital of our Company or otherwise howsoever in accordance with legal requirements and requirements of the Stock Exchange excluding any alteration in the capital structure of our Company as a result of an issue of Shares as consideration in respect of a transaction to which our Company is a party, such corresponding alterations (if any) shall be made to:

- (i) the number or nominal amount of Shares subject to the Options so far as unexercised; or
- (ii) the Subscription Price,

or any combination thereof, as an independent financial adviser or the auditors for the time being of our Company shall at the request of the Board certify in writing to the Directors, either generally or as regards any particular Grantee, to be in their opinion fair and reasonable and that any such alterations shall satisfy the requirements set out in the note to Rule 17.03(13) of the Listing Rules and shall give a Grantee the same proportion of the issued share capital of our Company as that to which the Grantee was previously entitled (as interpreted in accordance with the Supplementary Guidance attached to the letter from the Stock Exchange dated September 5, 2005 to all issuers relating to share option schemes and/or any future guidance or interpretation of the Listing Rules issued by the Stock Exchange from time to time), provided that no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. The capacity of the independent financial adviser or the auditors for the time being of our Company in this paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on our Company and the Grantees. The costs of the independent financial adviser or the auditors for the time being of our Company shall be borne by our Company.

(v) Alteration of Scheme

- (i) subject to (ii) below, the terms and conditions of the Scheme may be altered by resolution of the Board from time to time except that the provisions relating to matters contained in Rule 17.03 of the Listing Rules shall not be altered to extend the class of persons eligible for the grant of Options or to the advantage of Grantees or Participants except with the prior approval of the Shareholders in general meeting, with Grantees and their associates abstaining from voting, and no such alteration shall not operate to affect materially and adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the grantees as would be required of the Shareholders under the Articles of Association for the time being for a variation of the rights attached to the Shares;
- (ii) any alterations of the terms and conditions of the Scheme, which are of a material nature or change the authority of the Board, shall be approved by the Stock Exchange and the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Scheme;

- (iii) the amended terms of the Scheme or the Options must still comply with the relevant requirements of Chapter 17 of the Listing Rules; and
- (iv) any change to the authority of our Directors or scheme administrators, if any, in relation to any alteration to the terms of the Scheme must be approved by the Shareholders in general meeting.

(w) Termination of Scheme

Our Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the Scheme and in such event no further Options shall be offered but in all other respects the provisions of the Scheme shall remain in full force and effect. Options granted prior to such termination but not exercised shall continue to be valid and exercisable subject to and in accordance with the Scheme.

2. Present status of the Share Option Scheme

As of the Latest Practicable Date, no Option has been granted or agreed to be granted under the Share Option Scheme. An application has been made to the Listing Committee of the Stock Exchange for the granting of the Listing of, and permission to deal in, the 192,400,000 Shares which may fall to be issued pursuant to the exercise of the Options granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Estate Duty

The Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group in the Cayman Islands, the PRC and other jurisdictions in which the companies comprising our Group are incorporated.

2. Estate Duty and Tax Indemnity

The Controlling Shareholders (collectively the “Indemnifiers”) entered into a deed of indemnity with and in favor of our Company (for itself and as trustee for each of our present subsidiaries). Each of the Indemnifiers has given joint and several indemnities in respect of, among other things, (a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by virtue of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong, as amended from time to time)) to any member of our Group on or before the Listing Date, and (b) any tax liability which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the Listing Date, save as to such circumstances including:

- (a) to the extent that full provision or allowance has been made for such taxation in the audited account of our Group for the years ended December 31, 2006, 2007 and 2008, as set out in Appendix I to this prospectus;
- (b) to the extent that such taxation arises or is incurred as a result of any retrospective change in law or retrospective increase in tax rates coming into force after the Listing Date;
- (c) to the extent that the liability for such taxation is caused by the act or omission of, or transaction voluntarily effected by, any member(s) of our Group which is/are carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after December 31, 2008 or carried out or entered into pursuant to a legally binding commitment on or before December 31, 2008; or

- (d) to the extent of any provisions or reserve made for taxation in the audited accounts of any member of our Group up to December 31, 2008 which is finally established to be an over-provision or an excessive reserve.

3. Other Indemnities

Under the deed of indemnity referred to above, the Indemnifiers also jointly and severally agreed to indemnify us from and against all actions, claims, losses, payments, charges, settlement payments, costs, penalties, damages or expenses which any member of our Group may incur, suffer or accrue, directly or indirectly, arising from or in connection with:

- (a) the use and occupation by our Group of the two parcels of collectively-owned land (excluding the aggregate area of approximately 865.9 m² adjacent to the primary tunnels into the Dahongshan Mine and the Guangji Mine) and the buildings erected thereon (“Land and Buildings”) as referred to under “Business — Property” of this prospectus;
- (b) any material disruption to our Group’s operation caused by (i) relocation of the primary tunnels into the Dahongshan Mine and the Guangji Mine; or (ii) suspension or cessation of the use of the Land and Buildings pursuant to request made or order issued by the competent government authority;
- (c) the conduct of mining and production activities by our Group in the Guangji Mining Area before the mining right permit and other associated approvals and permits relating to but not limited to production safety, environmental protection and construction completion are obtained by our Group;
- (d) the use of explosives and the conduct of explosion activities by our Group in the Guangji Mining Area without the associated explosive permits;
- (e) any penalty resulting from the lack of construction project completion approval for the buildings erected on the collectively-owned land in the Guangji Mining Area; and
- (f) any penalty resulting from the lack of (i) approval for construction project; (ii) environmental effects approval; (iii) approval for completion-based check and acceptance for the environmental protection; (iv) approval of safety check and acceptance for completion of project; (v) approval of fire prevention check and acceptance for completion of project; and (vi) construction project completion approval for No.1, No.2 and No.5 thenardite production lines of the Dahongshan Mining Area.

or as a result of or in relation to all litigations, arbitration, claims (including counter-claims), complaints, demands and/or legal proceedings by or against any member of our Group which was issued, accrued and/or arising from any act of any member of our Group at any time.

4. Litigation

As at the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance and, so far as the Directors are aware, no litigation, arbitration or claim of material importance is pending or threatened by or against any member of our Group.

5. Joint Sponsors

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee for a listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus (including any Shares falling to be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Share Option Scheme).

As regards to the independence of each of the Joint Sponsors:

- (a) Credit Suisse is not considered as an independent sponsor under Rule 3A.07 of the Listing Rules as the Facility Lenders under the Facility Agreement are two affiliates of Credit Suisse. Pursuant to the Facility Agreement, a portion of the net proceeds from the Global Offering will be used to repay such loan and as part of the consideration for providing the loan, the Facility Lenders were granted with the Warrants by the Controlling Shareholder, Nice Ace;
- (b) Somerley has met the criteria under Rule 3A.07 of the Listing Rules and is an independent sponsor to the Company.

6. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately RMB20,000 and are payable by our Group.

7. Promoter

The Company has no promoter for the purposes of the Listing Rules. Save as disclosed in this prospectus, no cash, securities or other benefits has been paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus within the two years preceding the date of this prospectus.

8. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
Credit Suisse	licensed under the SFO for type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) as defined under the SFO
Somerley	licensed under the SFO for type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) as defined under the SFO
Grant Thornton	Certified public accountants
Grandall Legal Group (Shanghai)	PRC lawyers
Appleby	Cayman Islands attorneys-at-law
Jones Lang LaSalle Sallmanns Limited	Property valuer
John T. Boyd Company	Mining and geological consultant
Behre Dolbear & Company (USA), Inc.	Market research consultant

9. Consents of experts

Each of Credit Suisse (Hong Kong) Limited, Somerley Limited, Grant Thornton, Grandall Legal Group (Shanghai), Appleby, Jones Lang LaSalle Sallmanns Limited, John T. Boyd Company and Behre Dolbear & Company (USA), Inc. has given and has not withdrawn its written consent to the issue of this prospectus with the

inclusion of its report and/or letter and/or valuation certificate and/or the references to its name included herein in the form and context in which it is respectively included.

10. Binding effect

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

11. Particulars of the Selling Shareholders

The particulars of each of Selling Shareholders are set out as follows (assuming that the Over-allotment Option is not exercised, no option granted under the Pre-IPO Share Option Scheme or the option that may be granted under the Share Option Scheme are exercised, and without taking into account the arrangement among Mr. Suolang Duoqi, Nice Ace and Investec Bank):-

Name:	Nice Ace Technology Limited
Place of Incorporation:	British Virgin Islands
Date of Incorporation:	March 20, 2007
Registered Office:	Portcullis TrustNet (BVI) Limited Portcullis TrustNet Chambers P.O. Box 3444 Road Town, Tortola British Virgin Islands
Shares sold:	142,142,000 Shares

Name:	Mandra Mirabilite Limited
Place of Incorporation:	British Virgin Islands
Date of Incorporation:	November 21, 2006
Registered Office:	Portcullis TrustNet (BVI) Limited Portcullis TrustNet Chambers P.O. Box 3444 Road Town, Tortola British Virgin Islands
Shares sold:	7,362,000 Shares

Name:	AAA Mining Limited
Place of Incorporation:	British Virgin Islands
Date of Incorporation:	May 18, 2007
Registered Office:	Portcullis TrustNet (BVI) Limited Portcullis TrustNet Chambers P.O. Box 3444 Road Town, Tortola British Virgin Islands
Shares sold:	3,346,000 Shares

Name:	Mandra Esop Limited
Place of Incorporation:	British Virgin Islands
Date of Incorporation:	January 8, 2008
Registered Office:	Portcullis TrustNet Chambers P.O. Box 3444 Road Town, Tortola British Virgin Islands
Shares sold:	7,361,000 Shares

Name:	Credit Suisse International
Place of Incorporation:	United Kingdom
Date of Incorporation:	May 9, 1990
Registered Office:	One Cabot Square London E14 4QJ England
Shares sold:	11,041,000 Shares

Name:	Credit Suisse, Singapore Branch
Place of Registration:	Singapore
Date of Registration:	March 8, 1973
Address:	1 Raffles Link #03/#04-01 South Lobby Singapore 039393
Shares sold:	1,948,000

12. Bilingual prospectus

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

13. Advisory fees or commissions received

The Underwriters will receive an underwriting commission and the Joint Sponsors will in addition receive a financial advisory fee as referred to in the paragraphs “Commission” and “Total Commissions and Expenses” under the section headed “Underwriting” in this prospectus.

14. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
- (i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no founder, management or deferred shares of our Company or any of its subsidiaries have been issued or agreed to be issued;
 - (iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries;
 - (v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of its subsidiaries;
 - (vi) our Group has no outstanding convertible debt securities or debentures.

- (b) No member of our Group is presently listed on any stock exchange or traded on any trading system.
- (c) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the twelve (12) months immediately preceding the date of this prospectus.
- (d) All necessary arrangements have been made to enable the Shares to be admitted into the CCASS for clearing and settlement.
- (e) Our Directors confirm that there has been no material adverse change in the financial or trading position or prospectus of our Group since December 31, 2008 (being the date to which the latest audited combined financial statements of our Group were made up).
- (f) Our Directors have been advised that, under the Cayman Companies Law, the use of a Chinese name by our Company for identification purposes only does not contravene the Cayman Companies Law.
- (g) There is no arrangement under which future dividends are waived or agreed to be waived.
- (h) As at the date of this Prospectus, there is no restriction affecting the remittance of profits or repatriation of capital of our Company into Hong Kong from outside Hong Kong.

The principal terms and conditions of the Instrument Constituting Warrants, as amended, are set out below.

Cash Settlement	Upon a Warrant Holder exercising its Purchase Rights, the Issuer may, at its option, pay cash to that Warrant Holder in lieu of transferring Warrant Shares with reference to the current market price of the Warrant Shares in respect of such exercise
Warrant Issuer	Nice Ace
IPO Lock-up Period	The Warrant Holders will be subject to lock-ups as Selling Shareholders as described in “Underwriting — Underwriting Arrangements and Expenses — Non-disposal undertakings by our other existing Shareholders”
Warrant Holders	Credit Suisse, Singapore Branch and Credit Suisse International
Warrants	The warrant to purchase Shares from the Warrant Issuer pursuant to the Instrument Constituting Warrants
Warrant Shares	111,993,600 Shares to be transferred by the Warrant Issuer upon the exercise of the Purchase Rights attaching to the Warrants
Purchase Rights	Warrant Holders’ right attaching to the Warrants, exercisable in whole or in part, to purchase Shares (the “Warrant Shares”) from the Warrant Issuer at the Purchase Price with a maximum entitlement to the Warrant Holders as a group of 7.4% of our total share capital on a fully diluted basis (excluding any securities issuable in any Qualifying IPO and any employee and management incentive stock option plans). The Warrant Holders exercised their Warrants in full and the legal and beneficial ownership over the 111,993,600 Shares was transferred from Nice Ace to the Warrant Holders on May 14, 2009
Purchase Price	US\$0.000001 per Warrant Share (the original Purchase Price was US\$0.01 per Warrant Share which was adjusted to US\$0.000001 as a result of the restructuring of the share capital of the Company) in preparation of the Listing, which was waived in full by Nice Ace
Put Rights	Warrant Holders’ right, exercisable upon or after occurrence of a Put Event, to request the company to purchase from the Warrant Holders all or any part of its outstanding Warrants at the put price which is made with reference to a 16% per annum rate of return
Put Events	Events including (i) non-occurrence of any qualifying initial public offering ⁽¹⁾ within either 23 or 35 months from the first drawdown date under the Facility Agreement, (ii) strategic sale by Nice Ace, AAA Mining Asia Coal Bed and Mandra Mirabilite of all of their direct and indirect shares of and equity interests in the Company at a minimum valuation of US\$250 million in an arm’s-length transaction prior to the occurrence of a Qualifying IPO and (iii) any events of default under the Facility Agreement, the Instrument Constituting Warrants and other related documents

Note:

(1) This Global Offering is a “qualifying initial public offering” pursuant to the definition of such term in the Instrument Constituting Warrants.

Exercise Period

Warrants may be exercised from the date of the Instrument Constituting Warrants, June 23, 2007, to (A) 60 months from the first drawdown date under the Facility Agreement if a Qualifying IPO does not occur to such date; or (B) if a Qualifying IPO occurs on or prior to 60 months from such first drawdown date, then either (i) 60 months from the expiry of any IPO lock-up period of such Qualifying IPO; or (ii) if there is no such IPO lock-up period, 60 months from the Qualifying IPO

Other major rights

Subject to the Warrant Holders' right of first refusal and co-sale, if any existing Shareholder proposes to transfer, directly or indirectly, voluntarily or involuntarily, any Shares to any person other than its affiliates prior to a Qualifying IPO

The Warrant Holders exercised their Warrants in full and the legal and beneficial ownership over the 111,993,600 Shares was transferred from Nice Ace to the Warrant Holders on May 14, 2009. All special rights (including the Purchase Rights, Put Rights and other major rights as mentioned above) entitled by the Warrant Holders under the Instrument Constituting Warrants will be terminated upon the Listing

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of **WHITE**, **YELLOW** and **GREEN** Application Forms, the written consents referred to under the section headed “Other Information — Consents of experts” in Appendix VII to this prospectus and copies of the material contracts referred to under the section headed “Further Information about the business of our Group — Summary of material contracts” in Appendix VII to this prospectus.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Li & Partners at 22nd Floor, World Wide House, 19 Des Voeux Road Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the memorandum and Articles of Association;
- (b) the Accountants’ Report, the text of which is set out in Appendix I to this prospectus;
- (c) the audited financial statements of the subsidiaries of our Group for each of the three financial years ended December 31, 2006, December 31, 2007 and December 31, 2008;
- (d) the letter from Grant Thornton relating to the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (e) the letters from Grant Thornton and the Joint Sponsors relating to the profit forecast, the texts of which are set out in Appendix III to this prospectus;
- (f) the letter, summary of values and valuation certificates relating to the property interests of our Group prepared by Jones Lang LaSalle Sallmanns, the texts of which are set out in Appendix IV to this prospectus;
- (g) the Independent Technical Review Report, the texts of which are set out in Appendix V to this prospectus;
- (h) the Behre Dolbear Report;
- (i) the letter of advice prepared by Appleby referred to in the section headed “Summary of the Constitution of our Company and Cayman Islands Companies Law” in Appendix VI to this prospectus;
- (j) the PRC legal opinion prepared by Grandall Legal Group (Shanghai), our Company’s PRC legal adviser in respect of our Group’s overall business operation in the PRC and properties located in the PRC;
- (k) the Companies Law;
- (l) the material contracts referred to in the paragraph entitled “Summary of material contracts” under the section headed “Further Information about the business of our Group” in Appendix VII to this prospectus;

- (m) the service contracts referred to in the paragraph headed “Particulars of Directors’ service contracts” under the section headed “Further information about Directors and substantial shareholders and experts” in Appendix VII to this prospectus;
- (n) the written consents referred to in the paragraph headed “Consents of experts” under the section headed “Other Information” in Appendix VII to this prospectus;
- (o) the rules of the Share Option Scheme;
- (p) the rules of the Pre-IPO Share Option Scheme, together with the list of all grantees of the options granted by the Company under the Pre-IPO Share Option Scheme; and
- (q) the statement of particulars of the Selling Shareholders including its names, address and description.



Lumena