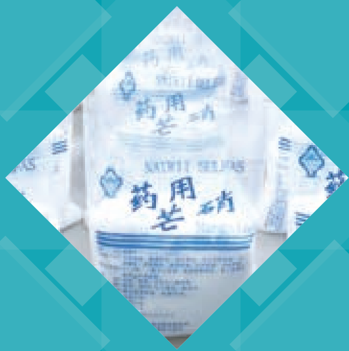
Lumena

LUMENA RESOURCES CORP.
旭光資源有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock code : 67

2009
ANNUAL REPORT



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Vision and Mission

Vision

To become the largest thenardite producer in the world

Mission

To provide the highest quality thenardite products to our customers and continue to expand product offerings and markets

CORPORATE INFORMATION

BOARD (THE "BOARD") OF DIRECTORS (THE "DIRECTORS" AND EACH A "DIRECTOR")

Executive Directors

Mr. Zhang Daming
Mr. Li Xudong
Mr. Yu Man Chiu Rudolf (appointed with effect from 3 March 2010)
Ms. Deng Xianxue (resigned with effect from 3 March 2010)

Non-Executive Directors

Mr. Suo Lang Duo Ji *(Chairman)*
Mr. Zhang Songyi
Mr. Wang Chun Lin

Independent Non-executive Directors

Mr. Patrick Logan Keen
Mr. Koh Tiong Lu, John
Mr. Wong Chun Keung
Mr. Gao Zongze (appointed with effect from 3 March 2010)
Mr. Xia Lichuan (appointed with effect from 3 March 2010)

COMPANY SECRETARY

Mr. Zhu Ben Yu

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

COMPLIANCE ADVISER

Guotai Junan Capital Limited

LEGAL ADVISERS

as to Hong Kong law:
Li & Partners

INDEPENDENT AUDITORS

Grant Thornton

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of China Tower
1 Garden Road, Hong Kong
Agricultural Bank of China
1 Kehua Street, Kehua Bei Road
Chengdu PRC
China Merchants Bank
91-95 Kehua Bei Road, Chengdu PRC
Industrial and Commercial Bank of China Limited
81 Sansu Road
Meishan City, PRC

HONG KONG SHARE REGISTRAR

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER 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 HONG KONG

Suite 2801, Shui On Centre
6-8 Harbour Road
Wanchai, Hong Kong

WEBSITE

www.lumena.hk

CHAIRMAN'S STATEMENT

Dear shareholders,

It is my pleasure to present the annual report of **Lumena Resources Corp.** (the "Company", together with its subsidiaries, the "Group", "we" or "us") for the year ended 31 December 2009.

OPERATING RESULTS

Although the Company faced the impact of the financial crisis in 2009, the Company nevertheless achieved a steady growth in its revenue. This was primarily attributable to the Company's focus on the production and sales of high-grade thenardite products, namely medical thenardite and specialty thenardite, which have more stable average selling prices ("ASP") during the year of 2009, as well as the devotion of more efforts in the marketing of these two products.

Being driven by the increasing sales of the Company's medical thenardite and specialty thenardite, the Company's revenue increased from RMB1,140.4 million in 2008 to approximately RMB1,344.0 million in 2009, representing an increase of approximately 17.9%. Gross profit of the Company was RMB979.6 million, an increase of approximately 23.0% from RMB796.6 million in 2008. Overall gross profit margin of the Company was approximately 72.9%, an increase of 3.0% from 69.9% in 2008. This was mainly attributable to the increase in the proportion of sales for products with high profit margin, namely specialty thenardinte and medical thenardite, and the increase in ASP and sales of the medical thenardite products.

BUSINESS REVIEW

The Company was successfully listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 June 2009. This represented an important milestone for the Company. According to Behre Dolbear & Company (USA) Inc. ("Behre Dolbear"), our independent market research consultant, we are the second largest thenardite producer in the world in terms of production capacity as at 31 December 2008, and we have a single line production facility with the largest production capacity. Based on the information provided by Behre Dolbear, as at December 2008, our domestic and international market shares of thenardite were approximately 23.2% and 11.3% respectively. In 2009, with the gradual recovery of the global economy after the financial crisis, industrial activity is reverting back to normal, and as with all commodity products in the People's Republic of China ("PRC" or "China"), the demand for thenardite will continue to increase. Furthermore, there was strong growth in the thenardite usage in Asia, which generated huge potential opportunities for the thenardite producers in China. Due to its geographical minority for the Asian thenardite market, China has absolute competitive advantages over other countries that also produce thenardite.

During the year of 2009, the Group achieved further development on a number of different fronts. On product offerings, the Company focused on the production and sales of medical thenardite and specialty thenardite with higher profit margin. Our powder thenardite and specialty thenardite are a key raw material in powder detergents, and as processing aids in the textiles and glass industries. Medical thenardite is used in Chinese medicines as a mild laxative and anti-inflammation agent and it is especially effective in treating symptoms such as constipation, haemorrhoids and obesity. After the melamine-tainted milk incident in China, the awareness on the standards of raw material for foodstuffs and pharmaceutical products increased significantly, and together with the medical reform, the standard of raw material used in drugs and other health-care products became higher. As we are the only GMP certified manufacturer of medical thenardite in China, the demand for our medical thenardite had a significant surge in 2009.

On brand recognition, Lumena enjoys strong brand and product recognition among downstream industries in China. The brand "Chuanmei" has been successively recognized as a "Sichuan Famous Brand Product" since 1993 and the registered trademark "Chuanmei" was recognized as a "China Well-known Trademark" by the State Administration for Industry and Commerce of the PRC in March 2008.

As to mining operations and production capacity, the operations at three mining areas of the Company have been satisfactory. The mining and production facility in the Dahongshan Mining Area has an annual production capacity of 0.6 million tonnes, which is mainly engaged in the production of powder thenardite and medical thenardite. The mining and production facility in the Guangji Mining Area has an annual production capacity of 1.0 million tonnes. With respect to the expansion plan in the Muma Mining Area, the new production facility for medical thenardite of 200,000 tonnes per annum ("tpa") began trial production in November 2009, successfully received GMP certification in December and commenced commercial operation in January 2010. With respect to the development of the 1.0 million tpa powder and specialty thenardite production facility in Muma, we originally intend to commence commercial production in the third quarter of 2010. We are facing uncertainty over the project as we are still awaiting approval from the local government in respect of the land required for the project.

RESEARCH AND DEVELOPMENT

The Company believes that its research and development activities are critical to the competitiveness of the Company in the long-run. The Company devoted research and development resources principally on new product development, new application discovery, production efficiency and production process improvement. Our research and development efforts enable us to reduce costs of labour and raw materials, streamline our manufacturing process and increase economies of scale. One of our successful cases was our sale of specialty thenardite in the cement sector. The research and development department of the Group continuously conducts research and development in new application discovery for our thenardite products, including thenardite products for animal feed and medical thenardite for clinical application. Ongoing research and development will further expand the application areas of thenardite, especially specialty and medical thenardite, which will in turn drive the demand for thenardite products and stimulate the industry growth.

FUTURE PROSPECT

Looking ahead, the application areas for thenardite products will continue to expand, and become applicable in more industries. The prospect and future growth potential of the thenardite industry is highly promising. In order to effectively capture the opportunities, the Company will consolidate its efforts in the development of the following three aspects so as to further enhance the competitive advantage of the Company.

Expansion of the application areas of thenardite

The Company currently produces powder thenardite, specialty thenardite and medical thenardite. Other than using as a key ingredient for powder detergents and drugs, the latest usage of thenardite is that it is applied as an additive to quick-dry cement. It can also be used in coal pre-treatment and production of animal feed. Directing at expanding the application areas of thenardite products in 2010, the Company will use its best endeavours and continue to invest in research and development and enhance the competitiveness of the Company.

Expansion of production capacity to satisfy market demand

As to the expansion of production capacity, the Company successfully acquired the mining right at Yuegou, Dongpo District, Meishan, as our fourth mining area. The Company has commenced to expand and upgrade a production facility with a production capacity of 300,000 tpa in that mining area for animal feed grade thenardite and other specialty thenardite. It is expected that operation will commence in the second half of 2010. In addition, the Company will continue to look for suitable mines and/or thenardite operators for merger and acquisition opportunities, so as to actively expand its production capacity and further capture market share in the industry.

Emphasis in promoting high value-added thenardite products

Specialty and medical thenardite are the key products of the Company that have a significant competitive advantage and dominant market share in China. In the coming year, the Company will focus its resources to promote the sales of specialty and medical thenardite. The Company will focus on (1) adopting various measures (mainly the acquisition of and the increase of reserves) to increase the production volume of specialty thenardite, in order to satisfy the increasing market demand; and (2) devoting more efforts in the marketing of medical thenardite by producing thenardite medicines for clinical application, in order to capture higher earnings.

APPRECIATION

In 2009, the various achievements made by the Group were solely attributable to the dedication of all staff. On behalf of the Board, I hereby wish to express appreciation to the fellow members of the Board and all staff for the devotion and unconditional support during the year. At the same time, I also wish to express my deepest gratitude to the long-term support of our shareholders, noteholders, customers and suppliers. The Group is highly confident on future prospects. Under the leadership of our experienced management, who are committed to achieve a sustainable growth in the business and excellent results, we will bring considerable return to investors and successfully fulfill the performance indicators in 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

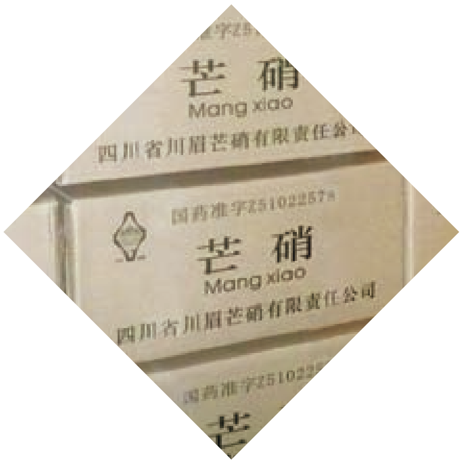
MARKET REVIEW

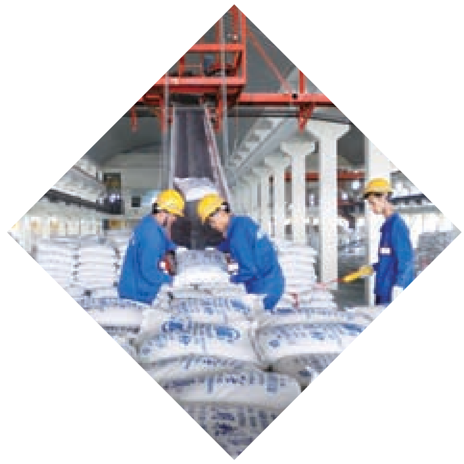
Thenardite (Na_2SO_4) is an edible, water-soluble, white, crystalline, hygroscopic mineral powder. It is an important raw material used in chemical and light industries and is used extensively in the production of powder detergents, textiles, glass, kraft pulp, chemical feedstock and pharmaceutical products. Thenardite is classified by its purity, color, density, pH content, neutrality and inclusion of other minerals. It can be processed into different forms to apply to chemical and light industries.

China ranks first in the world in terms of the size of glauberite ($Na_2SO_4 \bullet CaSO_4$) reserves, and a majority of which is concentrated in Sichuan and Jiangsu provinces. China is also the biggest thenardite producer and exporter in the world. The primary export markets for Chinese thenardite products are Brazil, Indonesia, Korea, Philippines, Vietnam, Japan and other countries in South America and Asia.

In the wake of industrialization and continuous economic expansion as a result of a gradual recovery of the global economy after the financial crisis, demand for thenardite is expected to increase. The thenardite products of China have absolute competitive advantages in terms of quality and price as compared to other producers of thenardite products in the Asian market. The proximity to high growth Asian markets provides the Chinese thenardite producers with great potentials of business opportunities.

As the application areas of thenardite continue to expand, the market demand for thenardite is expected to increase. The areas that apply thenardite most recently include as an additive to quick-dry cement. The thenardite products can also be used in coal pre-treatment to decrease maintenance costs for coalfired power plants. In addition, thenardite is applicable as an additive in animal feed. The sulfur content in thenardite (more than 20%) can stimulate the metabolism of stock. Adding appropriate amount of thenardite into animal feed will enhance their nutrition content effectively. Due to its competitive price and outstanding effects, thenardite is broadly applied as the protein intensifier of animal feed in the poultry breeding and rearing industry. In addition to the above, because of its laxative and anti-inflammatory effect, thenardite is mainly used in Chinese





medicines for catharsis, laxative, reducing inflammation, detoxing and in slimming and health-care products. Continuous research and development will further expand thenardite application areas, which will in turn drive the market demand for thenardite products and will stimulate industry growth.

BUSINESS REVIEW

We are engaged in the mining, processing and manufacturing of natural thenardite products. According to Behre Dolbear, we are the second largest thenardite producer in the world in terms of production capacity as at 31 December 2008, and we have a single line production facility with the largest production capacity. Based on the information provided by Behre Dolbear, as at 31 December 2008, our domestic and international market shares of thenardite were approximately 23.2% and 11.3% respectively.

We currently operate three captive underground glauberite mines located in the Dahongshan Mining Area, the Guangji Mining Area and the Muma Mining Area in Sichuan Province respectively from which we source all of our glauberite ore for the production of thenardite. According to John T. Boyd Company ("JT Boyd"), our independent mining and geological consultant, the above three mining areas have a total of approximately 56.0 million tonnes of proved and probable thenardite reserves pursuant to the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Resources (the "JORC Code"), and our reserves are higher than the average grade in China. Our production facility in the Dahongshan Mining Area and the Muma Mining Area is the only production facility in China with GMP certification and the Pharmaceutical Production Permit for medical thenardite, and is the only approved and certified medical thenardite producer in China.

PRODUCTS

We produce powder thenardite, specialty thenardite and medical thenardite. As a leading thenardite producer in China, Lumena enjoys strong brand and product recognition among downstream industries in China. The brand "Chuanmei" has been successively recognized as a "Sichuan Famous Brand Product" since 1993 and the registered trademark "Chuanmei" was recognized as a "China Well-known Trademark" by the State Administration for Industry and Commerce of the PRC in March 2008.

Powder thenardite

Our powder thenardite is mainly used in the powder detergents, glass and textile industries. 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 GBT6009-2003.

We sold approximately 502,617 tonnes of powder thenardite for the year ended 31 December 2009 (2008: 477,815 tonnes) with 5.2% year-on-year growth, and our revenue amounted to RMB126.7 million (2008: RMB154.5 million).

Specialty thenardite

We design our specialty thenardite products to meet the specifications of our customers for their end products. Our specialty thenardite products are generally used in the same industries as our powder thenardite. The powder detergent industry is the largest user of our specialty thenardite products.

We sold approximately 1,024,671 tonnes of specialty thenardite for the year ended 31 December 2009 (2008: 926,830 tonnes), and our revenue amounted to RMB881.6 million (2008: RMB793.7 million) with 10.6% and 11.1% year-on-year growth respectively.

With the ongoing expansion of the application areas of specialty thenardite, we believe that the demand for specialty thenardite products will increase rapidly along with the improvement of the economic environment in China and as a result of measures implemented by the central government to promote domestic economic growth. In addition, the urbanization in China and the PRC central government's policy of "Home Appliances Going to the Rural Areas" stimulate the market demand for washing machines, which may increase the sales of powder detergents indirectly and further boost the demand for specialty thenardite as a result.

Medical thenardite

Our medical thenardite product is primarily used as raw material in Chinese medicines as a mild laxative and an anti-inflammatory agent. Our production facilities of medical thenardite are located in the Dahongshan Mining Area and the Muma Mining Area. Our medical thenardite 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 Food and Drug Administration of Sichuan Province.

We sold approximately 130,003 tonnes of medical thenardite for the year ended 31 December 2009 (2008: 99,080 tonnes), and our revenue amounted to RMB335.7 million (2008: RMB192.2 million) with 31.2% and 74.7% year-on-year growth respectively.

OPERATION OF MINING AREAS AND PRODUCTION CAPACITY REVIEW

Dahongshan Mining Area

Our mine in the Dahongshan Mining Area is a fully developed and operational underground mining and processing facility that produced 0.64 million tonnes of thenardite for the year ended 31 December 2009. The Dahongshan Mining Area is approximately 3.7 km^2 and located 20km northwest of Meishan City in Sichuan Province. As of the date of this report, our mining and production facilities in the Dahongshan Mining Area have a total production capacity of 0.6 million tpa. The production capacity of this mining area is used to produce powder thenardite and medical thenardite as to 80% to 85% and 15% to 20% respectively. According to the calculation of JORC Code, JT Boyd estimates that Dahongshan Miniing Areas has a total of 19.2 million tonnes of proved and probable thenardite reserves.

Guangji Mining Area

Our Guangji Mining Area is approximately 3.9 km^2 and produced 1.02 million tonnes of thenardite for the year ended 31 December 2009. We planned to increase the production capacity of our mining and production facilities in the Guangji Mining Area from 1.0 million tpa in 2009 to 1.1 million tpa in 2010. We produce specialty thenardite in the Guangji Mining Area is responsible to produce specialty thenardite. Our current mining right permit in connection with our Guangji Mine is valid from 2008 to 2038. According to the calculation of the JORC Code, JT Boyd estimates that the Guangji Mining Area has a total of 19.7 million tonnes of proved and probable thenardite reserves.

Muma Mining Area

The new production facility for medical thenardite of 200,000 tpa began trial production in November 2009, successfully received GMP certification in December 2009 and commenced commercial operation in January 2010. With respect to the development of the 1.0 million tpa powder and specialty thenardite production facility in Muma Mining Area, we originally intend to commence commercial production in the third quarter of 2010. We are facing uncertainty over the project as we are still awaiting approval from the local government in respect of the land required for the project. According to the calculation of the JORC Code, JT Boyd estimates that the Muma Miniing Area has a total of 17.1 million tonnes of proved and probable thenardite reserves.

RESEARCH AND DEVELOPMENT

The Company believes that its research and development activities are critical to the competitiveness of the Company in the long-run. The Company devoted research and development resources principally on new product development, new application discovery, production efficiency and production process improvement. Our research and development efforts enable us to reduce costs of labour and raw materials, streamline our manufacturing process and increase economies of scale. One of our successful cases was our sale of specialty thenardite in the cement sector. The research and development department of the Group is continuously conducting research and development in new application areas for our thenardite products, including thenardite products for animal feed and medical thenardite for clinical application. Ongoing research and development will further expand the application areas of thenardite, especially specialty and medical thenardite, which will in turn drive the demand for thenardite products and stimulate the industry growth.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2009, the Group had a total of 1,795 employees (2008: 1,802 employees). Total staff costs (including Directors' remuneration) for the year ended 31 December 2009 were approximately RMB81.2 million (2008: RMB57.9 million), representing 17.2% of the Group's total operating expenses including cost of sales, selling and distribution expenses and other operating expenses. Employees were remunerated based on their performance, experience and industry practice. Bonuses are rewarded based on individual staff performance and in accordance with the Group's overall remuneration policies. The Group's management reviewed the remuneration policies and packages on a regular basis.

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

FINANCIAL REVIEW

Income

For the year ended 31 December 2009, our revenue increased to approximately RMB1,344.0 million (2008: RMB1,140.4 million), representing an increase of approximate 17.9% as compared to 2008.

The stable increase in our revenue was attributable to our focus on the production and sales of medical and specialty thenardite which have higher average price and more stable pricing. As a result, the sales of our medical and specialty thenardite increased and our aggregate sales grew steadily during the year.

Gross profit and gross profit margin

We recorded a gross profit of RMB979.6 million (2008: RMB796.6 million) for the year ended 31 December 2009, representing an increase of approximate 23.0% as compared to the previous year. The increase in our gross profit was mainly attributable to the increase in the sales of our products with high gross profit margin, namely specialty thenardite and medical thenardite.

Our overall gross profit margin was 72.9% (2008: 69.9%) for the year ended 31 December 2009, representing an increase of approximate 3.0% as compared to the previous year. The high level of our overall gross profit margin was mainly attributable to the high proportion of the sales of our products with high gross profit margin (namely specialty thenardite and medical thenardite) to our aggregate revenue during the year, which in turn increased our overall gross profit margin.

ACQUISITION OF ADDITIONAL INTEREST IN SUBSIDIARY

On 19 August 2009, Top Promise Resources Limited ("Top Promise"), an indirect wholly-owned subsidiary of the Company and Sichuan First Silk Printing & Dyeing Co., Ltd (四川省德陽富斯特新合織有限責任公司) ("Sichuan First") entered into an equity transfer agreement pursuant to which Top Propmise acquired 10% equity interest in Sichuan Chuanmei Mirabilite Co., Ltd. (四川省川眉芒硝有限責任公司) ("Chuanmei Mirabilite") from Sichuan First for a consideration of RMB264 million (equivalent to approximately HK$300 million). Prior to the said transaction, Top Promise and Sichuan First held 90% and 10% equity interest in Chuanmei Mirabilite respectively. This transaction was completed. Further details of this transaction were set out in the announcement of the Company dated 19 August 2009 and the paragraph headed "Connected Transactions – Acquisition by Top Promise of 10% equity interest in Chuanmei Mirabilite from Sichuan First" in this report.

LIQUIDITY AND FINANCIAL RESOURCES

Borrowings

The Group's bank borrowings and fixed rate senior notes were approximately RMB356.5 million and RMB1,616.8 million respectively as at 31 December 2009. The Group's bank borrowings are all secured bank loans. Details of interest rate structure and maturity profile of the bank borrowings and fixed rate senior notes are set out in notes 28 and 29 respectively to the financial statements.

Gearing ratio

The gearing ratio of the Group was 48.0%. The computation is based on total borrowings of the Group divided by consolidated total assets as at 31 December 2009.

PLEDGES ON GROUP'S ASSETS

Details of pledges on Group's assets as at 31 December 2009 are shown in note 30 to the financial statements.

CONTINGENT LIABILITIES

As at 31 December 2009, the Group did not have any material contingent liabilities (2008: Nil).

FOREIGN EXCHANGE EXPOSURE

During the year, the Group mainly generated revenue and incurred costs in Renminbi. The summary of Group's exposure to fluctuation in foreign exchange rate are shown in note 39 to the financial statements and the Group did not employ any financial instruments for hedging purpose.

CAPITAL COMMITMENT

Details of capital commitment of the Group as at 31 December 2009 are shown in note 37 to the financial statements.

USE OF PROCEEDS

The net proceeds raised from the global offering received by the Company were approximately HK$654 million (equivalent to RMB577 million).

The utilization of net proceeds until 31 December 2009 is as follows:

Particulars	Planned amount RMB million	Utilized amount RMB million
Partial repayment of our offshore bank loan	**375**	(375)
Construction of our mining and production facilities in the Muma Mining Area	**78**	(78)
Acquisition of additional mining rights (Note)	**78**	(78)
General working capital	**46**	(46)
	577	(577)

Note:

Payment was made for additional acquisition of mining right in form of deposit as at 31 December 2009 and shown in note 20 to the financial statements.

The net proceeds raised from the global offering were fully utilized in accordance with the section headed "Use of Proceeds" in the prospectus of the Company dated 4 June 2009.

FUTURE PROSPECT

Looking ahead, the application areas for thenardite products will continue to expand, and thenardite will become applicable in more industries. The prospect and future growth potential of the thenardite industry is highly promising. In order to effectively capture the opportunities, the Company will consolidate its efforts in the development of the following three aspects so as to further enhance the competitive advantage of the Company.

Expansion of the application areas of thenardite

In order to maintain our competitiveness, we will continue to invest in our research and development to expand the application areas of thenardite products, improve operational efficiency and lower unit production costs, as well as, to enhance the efficiency of our production processes.

In the wake of the acceleration of urbanization in China, the economic infrastructure in the urban area in the cities develops rapidly, and accordingly the demand for housing increases. In addition to that, the PRC central government's policies of "Home Appliances Going to the Rural Area" and "Change of the Old for New" for incentive purpose has successfully stimulated the domestic demand as well as the demand for washing machines in the rural areas, which in turn further increase the demand for powder detergents. As the living standard of domestic consumers improves gradually, they have greater demand for quality living. The consumers now focus more on the function and quality of powder detergents when they use powder detergents.

The producers of powder detergents offer laundry products with different functions and features, and they have different requirements for thenardite as the major raw materials. As a result, we endeavor to develop specialty thenardite applicable to powder detergent with different functions according to customers' different demands, so as to capture the opportunities along with the market expansion of powder detergents.

On the other hand, the rapid growing economy of China in recent years has fueled rising living standards and increasing health-consciousness, as well as, China's aging population and the corresponding increase of health problems and active PRC government support, will positively affect China's healthcare spending. The healthcare spending is increasing, and there is the growing trend of PRC consumers to purchase over-the-counter drugs in retail pharmacies, which has fueled the demand for medicines and the demand for medical thenardite with mild laxative, slimming, bowel movement enhancement, anti-inflammatory and body detoxication properties.

In 2010, we will develop downstream medicine business to manufacture medical thenardite for clinical application, and will explore sales network actively, so as to capture the business opportunities brought along with people turning to buy over-the-counter drugs. It is expected that this will have significant contribution to our revenue in 2011. We will control all related expenses and fees prudently as the development of this new business will increase our potential cost.

In recent years, the animal husbandry industry in China developed rapidly. Its output value accounted for 34% of the gross output value of agricultural industry as of 2009. The implementation of the policy of "benefiting and enriching farmers" further accelerated the growth momentum of animal husbandry industry. The production of the industry underwent a change of standardization, scale production and industrialization, and it sought for a more scientific and efficient way of rearing. The application of thenardite meets the requirement of the industry. The sulfur content in thenardite (more than 20%) can stimulate the metabolism of stock. Adding appropriate amount of thenardite into animal feed will improve their nutrition content effectively. Due to its competitive price and outstanding effects, thenardite is broadly applied as the protein intensifier of animal feed in the poultry breeding and rearing industry.

We intend to transform part of our production capacity of powder thenardite into a business of thenardite for animal feed with the aim of entering into the animal feed production industry. The business is expected to commence operations in the second half of 2010 with a production capacity of 300,000 tpa.

Due to further increase of the demand for thenardite and the implementation of policies to protect related resources in China, we are confident about the market development momentum of domestic sales of thenardite.

Expansion of production capacity to meet market demand

We endeavor to expand our production capacity to meet the growing demands for thenardite. In the aspect of production capacity expansion, we successfully acquired mining right of the Yuegou Mining Area which is located in Dongpo District, Meishan as our fourth mining area during the year. We have commenced to transform and expand the thenardite production facilities for animal feed grade thenardite and other specialty thenardite with a production capacity of 300,000 tpa in the mining area, and the mining area is expected to commence operations in the second half of 2010.

We will increase the annual production capacity of the existing Dahongshan Mining Area, Guangji Mining Area and Muma Mining Area. The expansion of production capacity will enable us to capitalize on the ever-growing business opportunities, and further strengthen our leading position among other thenardite producers in the thenardite market of China.

In addition, the production capacity in the Guangji Mining Area will expand and the production volume of specialty thenardite will increase to 1.1 million tpa in 2010 whilst the production of thenardite for animal feed of 300,000 tpa will commence in the second half of 2010 and medical thenardite of 200,000 tpa commenced commercial operation in January 2010.

We intend to increase our thenardite reserve by acquiring additional mining rights for high quality glauberite mines. We will consider the resources, reserves or mining operations of the target company; the amount, grade, mining costs and sustainability of the target resources or reserves; the finance costs and benefits of the acquisition; potential synergies with the potential target of the acquiring 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 when exploring future acquisition opportunities.

Emphasis in promoting high value added thenardite products

Due to a higher application position of specialty thenardite and medical thenardite, their gross profit margin is much higher than that of powder thenardite. Hence, we will focus our resources in increasing the sales proportion of specialty thenardite and medical thenardite, in order to enhance and maintain our high level of gross profit margin. We will focus to strengthen our effort in marketing medical thenardite with a gross profit margin of approximately 70% by producing medical thenardite products on prescription drugs for clinical application, in order to increase the gross profit and return.

We will further deepen our relationships with existing customers and explore new customers of larger scale by offering quality and customized products and comprehensive customer services, with the aim of being their largest supplier of thenardite.

As a leading specialty thenardite producer, we are confident about our future prospects leveraging our all-round competitive edge in terms of thenardite inventory, products quality and R&D capacity. Under the leadership of our experienced management team, we will pursue remarkable results and seek fruitful return to the investors.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

ZHANG Daming (張大明), aged 61, is an executive Director and chief executive officer of the 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 and the deputy secretary of Sichuan Provincial Economic System Reform Committee (四川省經濟體制改革委員會) and the general manager of Chuanmei Mirabilite. Currently, he is also the general manager of Top Promise and the executive director and general manager of Sichuan Chuanmei Special Glauber Salt Co., Ltd. ("Chuanmei Glauber Salt"), an indirect wholly-owned subsidiary of the Company. He was appointed as an executive Director and chief executive officer of the Group on 1 February 2008.

LI Xudong (**李旭東**), aged 47, 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 worked as the deputy chief and the chief of our equipment department, assistant to the general manager and the deputy general manager and director of Chuanmei Mirabilite. Mr. Li is currently the technical director of Top Promise. He was appointed as an executive Director on 1 February 2008.

YU Man Chiu Rudolf (余孟釗), aged 35, is an executive Director and the general manager of corporate development. He obtained a bachelor of science degree in Physics from Imperial College, London and a master of science degree in International Management from King's College, London. Mr. Yu previously worked as an Equity Capital Markets banker at both BNP Paribas Capital (Asia Pacific) Limited and Credit Suisse (Hong Kong) Limited. Mr. Yu joined the Group as the general manager of corporate development department of the Company in 2009. He was appointed as an executive Director on 3 March 2010.

DENG Xianxue (鄧憲雪), aged 36, was 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 (中國注冊會計師協會), a member of the Chinese Certified Tax Agents Association (中國注冊稅務師協會) and a member of the China Appraisal Society (中國資產評估協會). She also worked as the financial controller of Top Promise, Chuanmei Mirabilite and Chuanmei Glauber Salt. She was appointed as an executive Director on 1 February 2008 and resigned as an executive Director on 3 March 2010. She also resigned her positions with certain subsidiaries of the Company.

NON-EXECUTIVE DIRECTORS

SUO LANG Duo Ji (索郎多吉), aged 47, is the founder, chairman and a non-executive Director. Mr. Suo Lang Duo Ji 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. Suo Lang Duo Ji 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. Suo Lang Duo Ji 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. Suo Lang Duo Ji is currently a director of each of Top Promise and Rich Light International Limited ("Rich Light"), a direct wholly-owned subsidiary of the Company. He was appointed as a non-executive Director on 2 January 2008.

ZHANG Songyi (張頌義), aged 54, is a non-executive Director. Mr. Zhang Songyi obtained a Juris Doctor degree from Yale University. Mr. Zhang Songyi served as a director of Suntech Power Holdings Co. Ltd., a company listed on the New York Stock Exchange, 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. He 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, an independent non-executive director of Hong Kong Energy (Holdings) Limited, a company listed on the Stock Exchange and an independent non-executive director of China Longyuan Power Group Corporation Limited, a company listed on the Stock Exchange. Mr. Zhang Songyi is currently a director of Rich Light. He was appointed as a non-executive Director on 2 January 2008.

WANG Chun Lin (王春林), aged 58, is a non-executive Director. Mr. Wang Chun Lin obtained a bachelor degree in Computer Science from Fudan University (復旦大學) in 1977. 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. Mr. Wang Chun Lin is currently a director of Rich Light. He was appointed as a non-executive Director on 2 January 2008.

INDEPENDENT NON-EXECUTIVE DIRECTORS

KEEN Patrick Logan, aged 60, is an independent non-executive Director. He is a co-founder of ChinaVest Private Equity Group and has served as managing director/partner of five investment funds for Greater China. In this capacity, he has been a director of various ChinaVest portfolio companies. Prior to his career with the ChinaVest Group, Mr. Keen was the Chief Financial Officer of Dallas Pacific Limited and Vice President of First National Bank in Dallas. Mr. Keen obtained a Bachelor of Business Administration and Master of Business Administration from the University of Texas at Austin. He was appointed as an independent non-executive Director on 25 May 2009.

KOH Tiong Lu, John (許忠如), aged 53, is an independent non-executive Director. He was a managing director and a senior advisor to The Goldman Sachs Group. He is chairman of the Audit Committee of the Board of Directors of NSL Ltd (formerly known as Natsteel Ltd), a publicly traded Singapore conglomerate. 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.

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 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 25 May 2009.

GAO Zongze (高宗澤), aged 70, is an independent non-executive Director. Mr. Gao is a practicing lawyer in the PRC and had been a National Committee member of the PRC's Chinese People's Political Consultative Conference (中華人民政治協商會議) and the president of the All China Lawyers' Association, the PRC (中華全國律師協會). Mr. Gao graduated from the Graduate School of the China Academy of Social Sciences, the People's Republic of China (中國社會科學院) in 1981. He was appointed as an independent non-executive Director on 3 March 2010.

XIA Lichuan (夏立傳), aged 46 is an independent non-executive Director, graduated from Anhui University (安徽大學) with a bachelor degree of economics, obtained a master degree of economics from Graduate School of the People's Bank of China (中國人民銀行總行金融研究所) and a master degree of business administration in finance from City University London, and eventually a doctoral degree of philosophy in finance from the Sir John Cass Business School under City University London. Mr. Xia is currently the chief economist of Cypress House Asset Management Company Limited and served as the project manager of the People's Bank of China and the senior manager of the institutional brokerage department of Guotai Junan Securities (Hong Kong) Company Limited. He was appointed as an independent non-executive Director on 3 March 2010.

SENIOR MANAGEMENT

ZHU Ben Yu (朱本宇), aged 37, is the chief financial officer and company secretary of the Company. 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 and Hua Han Bio-Pharmaceutical Holdings Limited afterwards respectively, both of which are listed on the Stock Exchange. Mr. Zhu Ben Yu obtained a bachelor degree of Business Administration from the Chinese University of Hong Kong.

ZHU Jimin (祝季敏), aged 56, is the mining director of the 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 worked as Chuanmei Mirabilite's deputy mining facilities chief, mining facilities chief, and the deputy chief of business information department, the chief supervisor of mining of Chuanmei Mirabilite and 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 Group.

LI Chunxian (李春先), aged 64, is the chief engineer of the Group. He is a senior engineer 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 was the president of Zigong Light Industry Design and Research Institute and worked as the technical advisor and the chief engineer of Chuanmei Mirabilite. Mr. Li is currently the chief engineer of Top Promise.

GOU Xingwu (苟興無), aged 43, is the human resources and purchase director of the 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 worked as the deputy head of the production department, deputy factory director, factory director, assistant to general manager and the deputy general manager of Chuanmei Mirabilite and the deputy general manager of Chuanmei Glauber Salt. Currently, he is an executive director of Chuanmei Mirabilite.

LI Hongqing (李洪清), aged 38, is the production director of the 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 worked as an operator, a controller, the deputy director of the production factory, the director of the production factory, the manager and the deputy general manager of production department of Chuanmei Mirabilite. He is currently the general manager of Chuanmei Mirabilite and the deputy general manager of Chuanmei Glauber Salt.

LIU Qiru (劉啟儒), aged 55, is the deputy chief engineer of the 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 worked as the deputy mining chief, mining chief, the head and manager of the production and technology department, the chief engineer of Chuanmei Mirabilite and project manager for the construction of the Guangji production facility. Currently, he is the chief engineer of Chuanmei Mirabilite and Chuanmei Glauber Salt.

CAO Bin (曹斌), aged 41, is the deputy general manager of Chuanmei Mirabilite and Chuanmei Glauber Salt. He holds a bachelor degree of International 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 worked as the deputy manager of its sales department, the deputy general manager of the sales and marketing department of Chuanmei Mirabilite.

REPORT OF THE DIRECTORS

The Directors herein present their first report and the audited financial statements of the Company and the Group for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company's principal activity is investment holding.

The Group's principal activities have not changed during the year ended 31 December 2009 and are principally engaged in processing and sale of powder thenardite, specialty thenardite and medical thenardite.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2009 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 43 to 102.

The Directors do not recommend the payment of a final and interim dividend for the year ended 31 December 2009 (2008: Nil).

FINANCIAL SUMMARY

This summary does not form part of the audited financial statements. A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on pages 103 to 104 of this report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2009 are set out in note 15 to the financial statements.

FIXED RATE SENIOR NOTES

On 27 October 2009, the Group issued the fixed rate of 12.0% senior notes due 2014 (the "Senior Notes") with aggregate principal amount of US$250,000,000. Details of the Senior Notes are set out in note 29 to the financial statements.

BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 December 2009 are set out in note 28 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Group during the year ended 31 December 2009 are set out in note 32 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2009 are set out in note 33 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2009, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22. (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately RMB466,384,000. The amount of RMB684,624,000 (as set out in note 33(a) to the financial statements) standing to the credit of the share premium account of the Company may be distributed, provided that the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2009, purchases attributable to the Group's largest supplier, excluding purchases of land, amounted to approximately 26.5% of the Group's total purchases and the percentage of turnover attributable to the Group's largest customer amounted to approximately 25.2% of the Group's total turnover.

For the year ended 31 December 2009, the percentage of purchases attributable to the Group's five largest suppliers combined was less than 68.0% of the Group's total purchases and the percentage of turnover attributable to the Group's five largest customers combined was less than 46.0% of the Group's total turnover.

None of the Directors, their associates or any shareholders of the Company (who or which to the knowledge of the Directors owns more than 5% of the Company's share capital) has any interest in any of the Group's five largest suppliers or customers.

DIRECTORS

The Directors who were in office during the year ended 31 December 2009 and those as at the date of this report are as follows:

Executive Directors:

Mr. Zhang Daming *(Chief Executive Officer)*
Mr. Li Xudong
Mr. Yu Man Chiu Rudolf (*appointed with effect from 3 March 2010)*
Ms. Deng Xianxue *(resigned with effect from 3 March 2010)*

Non-executive Directors:

Mr. Suo Lang Duo Ji *(Chairman)*
Mr. Zhang Songyi
Mr. Wang Chun Lin

Independent non-executive Directors:

Mr. Patrick Logan Keen
Mr. Koh Tiong Lu, John
Mr. Wong Chun Keung
Mr. Gao Zongze *(appointed with effect from 3 March 2010)*
Mr. Xia Lichuan *(appointed with effect from 3 March 2010)*

In accordance with article 108 of the Company's articles of association (the "Articles of Association"), Mr. Suo Lang Duo Ji, Mr. Wang Chun Lin, Mr. Zhang Songyi and Mr. Li Xudong will retire from office by rotation at the forthcoming annual general meeting of the Company (the "Annual General Meeting") and, being eligible, offer themselves for re-election as Directors at the Annual General Meeting.

Further, in accordance with article 112 of the Articles of Association and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), Mr. Yu Man Chiu Rudolf, Mr. Gao Zongze and Mr. Xia Lichuan will hold office until the Annual General Meeting and, being eligible, offer themselves for re-election as Directors.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years (commencing date: Mr. Zhang Daming and Mr. Li Xudong from 16 June 2009; Mr. Yu Man Chiu Rudolf from 3 March 2010), which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of the non-executive Directors has entered into a service contract with the Company for an initial term of three years (commencing date: Mr. Suo Lang Duo Ji, Mr. Zhang Songyi and Mr. Wang Chun Lin from 16 June 2009), which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years (commencing date: Mr. Patrick Logan Keen and Mr. Koh Tiong Lu, John and Mr. Wong Chun Keung from 16 June 2009; Mr. Gao Zongze and Mr. Xia Lichuan from 3 March 2010), which may be terminated by not less than three months' notice in writing served by either party on the other.

No Director proposed for re-election at the Annual General Meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Board has the general power of determining the Directors' remuneration, subject to the authorization of the shareholders of the Company given at the annual general meeting of the Company each year.

The remuneration of the executive Directors are subject to the review of the Company's remuneration committee. As for the non-executive Directors, their remuneration is determined by the Board, upon recommendation of the Company's remuneration committee, with reference to the Directors' qualifications, experience, duties, responsibilities and performance and results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from those disclosed in note 38 to the financial statements, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2009.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year ended 31 December 2009 and up to the date of this report, no director of the Company are considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2009 were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in the Company.

INTERESTS AND SHORT POSITION OF DIRECTORS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2009, the interests or short positions of the Directors in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), which are required to be notified to the 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 are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules (the "Model Code") are listed as follows:

Long positions in the shares and underlying shares of the Company

Name of Director	Nature of interest	Number of Shares	Approximate percentage of shareholding
Mr. Suo Lang Duo Ji (Note 1)	Interest of a controlled corporation	732,063,114	37.5%
Mr. Zhang Songyi (Note 2)	Interest of a controlled corporation	39,550,000	2.0%
Mr. Wang Chun Lin (Note 3)	Interest of a controlled corporation	56,131,000	2.9%

Notes:

(1) The Shares are held by Nice Ace Technology Limited ("Nice Ace"), a company incorporated in the British Virgin Islands (the "BVI"), the entire issued share capital of which is beneficially owned by Mr. Suo Lang Duo Ji.

(2) The Shares are held by Mandra Esop Limited ("Mandra Esop"), a company incorporated in the BVI, of which its entire issued share capital is owned by Beansprouts Ltd., a limited liability company incorporated in the BVI and 50% owned by each of Mr. Zhang Songyi and his spouse, Ms. Mui Bing How, respectively.

(3) The Shares are held by AAA Mining Limited ("AAA Mining"), a company incorporated in the BVI, of which its entire issued share capital is owned by Triple A Investment Limited, a limited liability company incorporated in the BVI and 50% owned by each of Mr. Wang Chun Lin and his spouse, Ms. Chan Hiu Lai, Caroline, respectively.

Long positions in share options of the Company

Pre-IPO share option scheme adopted pursuant to the written resolutions of the shareholders of the Company dated 30 April 2008 ("the "Pre-IPO Share Option Scheme")

Name of Director	Date of grant	Number of Shares subject to the share options	Exercise price
Mr. Zhang Daming	30 April 2008	4,218,000	HK$2.00
Ms. Deng Xianxue	30 April 2008	1,996,000	HK$2.00
Mr. Li Xudong	30 April 2008	1,596,000	HK$2.00

Under the share option scheme adopted pursuant to the written resolutions of the shareholders of the Company dated 26 May 2009 (the "Share Option Scheme")

Name of Director	**Date of grant**	**Number of Shares subject to the share options**	**Exercise price**
Mr. Suo Lang Duo Ji	28 July 2009	800,000	HK$3.59
Mr. Zhang Songyi	28 July 2009	800,000	HK$3.59
Mr. Wang Chun Lin	28 July 2009	5,000,000	HK$3.59
Mr. Zhang Daming	28 July 2009	5,000,000	HK$3.59
Ms. Deng Xianxue	28 July 2009	5,000,000	HK$3.59
Mr. Li Xudong	28 July 2009	5,000,000	HK$3.59

Save as disclosed above, at no time during the year ended 31 December 2009 was the Company or its associated corporation a party to any arrangement to enable the Directors (including their spouse and children under 18 years of age) to acquire benefits by an acquisition of shares or underlying shares in, or debentures of the Company or its associated corporation.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 31 December 2009, so far as is known to any Directors or the chief executive of the Company, the shareholders, other than the Directors or the chief executive of the Company, who had registered any interest or short position in the shares or the underlying shares representing 5% or more of the nominal value of shares comprised in the relevant share capital of the Company, as recorded in the register kept by the Company pursuant to Section 336 of the SFO were as follows:

Interests in the Company

(i) Long position

Name	**Capacity and nature of interest**	**Number of Shares**	**Approximate percentage of shareholding**
Nice Ace (Note 1)	Beneficial owner	732,063,114	37.5%
Mr. Suo Lang Duo Ji (Note 2)	Interest of a controlled corporation	732,063,114	37.5%
Mandra Mirabilite Limited ("Mandra Mirabilite") (Note 3)	Beneficial owner	252,350,000	12.9%
Woo Foong Hong Limited ("Woo Foong Hong") (Note 4)	Interest of a controlled corporation	252,350,000	12.9%
Moonchu Foundation for Culture & Education Limited ("Moonchu") (Note 5)	Interest of a controlled corporation	252,350,000	12.9%

Notes:

(1) Nice Ace, a limited liability company incorporated in the BVI, is wholly owned by Mr. Suo Lang Duo Ji.

(2) Mr. Suo Lang Duo Ji is deemed to have an interest in the 732,063,114 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 252,350,000 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 252,350,000 Shares held by Mandra Mirabilite under the provisions of the SFO.

Interests in Chuanmei Mirabilite

Name	Nature of interest	Approximate percentage of shareholding
Sichuan First	Beneficial owner	10%

Note:

On 19 August 2009, Top Promise acquired 10% equity interest in Chuanmei Mirabilite from Sichuan First. Please refer to the announcement of the Company dated 19 August 2009 and the paragraph headed "Connected Transactions – Acquisition by Top Promise of 10% equity interest in Chuanmei Mirabilite from Sichuan First" in this report for further details.

Save as disclosed above, the Directors confirm that they are not aware of any persons who will be interested or deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital, or who have interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

COMPLIANCE WITH NON-COMPETITION UNDERTAKING

Mr. Suo Lang Duo Ji and Nice Ace

On 28 May 2009, Mr. Suo Lang Duo Ji (the ultimate controlling shareholder of the Company) and Nice Ace (the controlling shareholder of the Company which is a wholly-owned subsidiary of Mr. Suo Lang Duo Ji) executed in favour of the Company, a deed of non-competition undertaking (the "Non-competition Undertaking").

Under the Non-competition Undertaking, each of Mr. Suo Lang Duo Ji and Nice Ace undertakes to the Company (for itself and for the benefit of its subsidiaries), among others, that he or it would not, and would procure that his or its affiliates (except any members of the Group) would not, during the validity of the Non-competition Undertaking, 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 the Group from time to time.

Pursuant to the annual declaration in relation to the compliance with the Non-competition Undertaking provided by Mr. Suo Lang Duo Ji and Nice Ace respectively, each of them confirms that all the relevant terms of the Non-competition Undertaking have been fully complied with in all material respects.

SHARE OPTIONS

The Company has adopted the Pre-IPO Share Option Scheme on 30 April 2008 and the Share Option Scheme on 26 May 2009.

A. Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme was adopted by written resolutions of all the shareholders of the Company passed on 30 April 2008. The purpose of the Pre-IPO Share Option Scheme is to recognize the contribution to the Group by the executive Directors, senior management and employees of the Group and to retain those persons whose contributions are important to the long-term growth and profitability of the Group.

Upon the listing of the Company on 16 June 2009 (the "Listing Date"), the Pre-IPO Share Option Scheme was terminated but the share options granted but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the terms of Pre-IPO Share Option Scheme.

As at 31 December 2009, details of the share options granted on 30 April 2008 under the Pre-IPO Share Option Scheme are as follows:

Name and title of grantee of the share options	**Date of grant**	**Exercise price per share** (HK$)	**Exercise date (dd/mm/yy)** (Note 1) (Note 2)	**Number of shares to be issued upon full exercise of options**	**% of total issued share capital**
(i) Director					
Mr. Zhang Daming	30 April 2008	2.00	08/07/09 – 16/06/16	4,218,000	0.22%
Ms. Deng Xianxue	30 April 2008	2.00	08/07/09 – 16/06/16	3,990,000	0.21%
Mr. Li Xudong	30 April 2008	2.00	08/07/09 – 16/06/16	3,192,000	0.16%
(ii) Employees	30 April 2008	2.00	08/07/09 – 16/06/16	64,600,000	3.32%
Total				76,000,000	

Note:

(1) The share options can only be exercised in the following manner:

For grantees of the share options 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 from the 15th business day after the Listing Date until the 1st anniversary of the Listing Date	1st phase options, being up to half of the total number of options granted
Any time after the 1st anniversary of the Listing Date until the 2nd anniversary of the Listing Date	2nd 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 2nd anniversary of the Listing Date until the 3rd anniversary of the Listing Date	3rd 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 3rd anniversary of the Listing Date until expiry of the validity period of the relevant options	4th phase options, being such number of options granted less the number of options already exercised

(2) For grantees of the share options who have joined the Company for less than one calendar year as of the Listing Date

Exercise Period	Maximum number of options exercisable
Any time after the 1st anniversary of the Listing Date until the 2nd anniversary of the Listing Date	1st phase options, being up to half of the total number of options granted
Any time after the 2nd anniversary of the Listing Date until the 3rd anniversary of the Listing Date	2nd 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 3rd anniversary of the Listing Date until the 4th anniversary of the Listing Date	3rd 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 4th anniversary of the Listing Date until expiry of the validity period of the relevant options	4th 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 share 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 7th anniversary of the Listing Date.

B. Share Option Scheme

The Share Option Scheme was adopted by written resolutions of all the shareholders of the Company passed on 26 May 2009. The purpose of the Share Option Scheme is to provide the people and the parties working for the interests of the Group with an opportunity to obtain an equity interest in the Company, thus linking their interest with the interest of the Group and thereby providing them with an incentive to work better for the interest of the Group. The period within which the share options must be exercised shall be determined by the Directors at the time of grant and such period must expire no later than 10 years from the date the offer has been made to the grantee.

In addition, on 28 July 2009, according to the terms of the Share Option Scheme, the Company has granted 103,200,000 share options to certain eligible participants including certain Directors and employees at an exercise price with carrying value of HK$3.59 per share (43,200,000 share options of which were granted to the Directors) and the consideration for each of the grant was HK$1. The share options granted pursuant to the Share Option Scheme will be exercisable during three respective periods commencing from 2 October 2009, 1 January 2010 and 1 January 2011 respectively and expiring on 31 December 2009, 31 December 2010 and 31 December 2011 respectively. Particulars of the share options granted under the Share Option Scheme were set forth in the announcement of the Company dated 28 July 2009.

Details of the share options outstanding as at 31 December 2009 under the Pre-IPO Share Option Scheme and the Share Option Scheme are as follows:

Name or category of grantees	Date of grant	Exercisable period	Exercise price (HK$)	Share options held on 1 January 2009	Share options granted during the year	Share options exercised during the year	Share options lapsed during the year	Share options held on 31 December 2009
Directors of the Company								
Mr. Zhang Daming	30 April 2008	16 June 2009 to 16 June 2016	2.00	2,109,000	–	–	–	2,109,000
	30 April 2008	16 June 2010 to 16 June 2016	2.00	703,000	–	–	–	703,000
	30 April 2008	16 June 2011 to 16 June 2016	2.00	703,000	–	–	–	703,000
	30 April 2008	16 June 2012 to 16 June 2016	2.00	703,000	–	–	–	703,000
				4,218,000	–	–	–	4,218,000
	28 July 2009	2 October 2009 to 31 December 2009	3.59	–	5,000,000	–	(5,000,000)	–
	28 July 2009	1 January 2010 to 31 December 2010	3.59	–	2,500,000	–	–	2,500,000
	28 July 2009	1 January 2011 to 31 December 2011	3.59	–	2,500,000	–	–	2,500,000
				–	10,000,000	–	(5,000,000)	5,000,000
Ms. Deng Xianxue	30 April 2008	16 June 2009 to 16 June 2016	2.00	1,995,000	–	(1,994,000)	–	1,000
	30 April 2008	16 June 2010 to 16 June 2016	2.00	665,000	–	–	–	665,000
	30 April 2008	16 June 2011 to 16 June 2016	2.00	665,000	–	–	–	665,000
	30 April 2008	16 June 2012 to 16 June 2016	2.00	665,000	–	–	–	665,000
				3,990,000	–	(1,994,000)	–	1,996,000
	28 July 2009	2 October 2009 to 31 December 2009	3.59	–	5,000,000	–	(5,000,000)	–
	28 July 2009	1 January 2010 to 31 December 2010	3.59	–	2,500,000	–	–	2,500,000
	28 July 2009	1 January 2011 to 31 December 2011	3.59	–	2,500,000	–	–	2,500,000
				–	10,000,000	–	(5,000,000)	5,000,000
Mr. Li Xudong	30 April 2008	16 June 2009 to 16 June 2016	2.00	1,596,000	–	(1,596,000)	–	–
	30 April 2008	16 June 2010 to 16 June 2016	2.00	532,000	–	–	–	532,000
	30 April 2008	16 June 2011 to 16 June 2016	2.00	532,000	–	–	–	532,000
	30 April 2008	16 June 2012 to 16 June 2016	2.00	532,000	–	–	–	532,000
				3,192,000	–	(1,596,000)	–	1,596,000
	28 July 2009	2 October 2009 to 31 December 2009	3.59	–	5,000,000	–	(5,000,000)	–
	28 July 2009	1 January 2010 to 31 December 2010	3.59	–	2,500,000	–	–	2,500,000
	28 July 2009	1 January 2011 to 31 December 2011	3.59	–	2,500,000	–	–	2,500,000
				–	10,000,000	–	(5,000,000)	5,000,000
Mr. Suo Lang Duo Ji	28 July 2009	2 October 2009 to 31 December 2009	3.59	–	800,000	–	(800,000)	–
	28 July 2009	1 January 2010 to 31 December 2010	3.59	–	400,000	–	–	400,000
	28 July 2009	1 January 2011 to 31 December 2011	3.59	–	400,000	–	–	400,000
				–	1,600,000	–	(800,000)	800,000

Name or category of grantees	Date of grant	Exercisable period	Exercise price (HK$)	Share options held at 1 January 2009	Share options granted during the year	Share options exercised during the year	Share options lapsed during the year	Share options held at 31 December 2009
Directors of the Company								
Mr. Wang Chun Lin	28 July 2009	2 October 2009 to 31 December 2009	3.59	–	5,000,000	–	(5,000,000)	–
	28 July 2009	1 January 2010 to 31 December 2010	3.59	–	2,500,000	–	–	2,500,000
	28 July 2009	1 January 2011 to 31 December 2011	3.59	–	2,500,000	–	–	2,500,000
				–	10,000,000	–	(5,000,000)	5,000,000
Mr. Zhang Songyi	28 July 2009	2 October 2009 to 31 December 2009	3.59	–	800,000	–	(800,000)	–
	28 July 2009	1 January 2010 to 31 December 2010	3.59	–	400,000	–	–	400,000
	28 July 2009	1 January 2011 to 31 December 2011	3.59	–	400,000	–	–	400,000
				–	1,600,000	–	(800,000)	800,000
Other eligible participants of the Group								
	30 April 2008	16 June 2009 to 16 June 2016	2.00	32,300,000	–	(23,067,500)	–	9,232,500
	30 April 2008	16 June 2010 to 16 June 2016	2.00	10,766,667	–	–	(113,667)	10,653,000
	30 April 2008	16 June 2011 to 16 June 2016	2.00	10,766,667	–	–	(113,667)	10,653,000
	30 April 2008	16 June 2012 to 16 June 2016	2.00	10,766,666	–	–	(113,666)	10,653,000
				64,600,000	–	(23,067,500)	(341,000)	41,191,500
	28 July 2009	2 October 2009 to 31 December 2009	3.59	–	30,000,000	–	(30,000,000)	–
	28 July 2009	1 January 2010 to 31 December 2010	3.59	–	15,000,000	–	(500,000)	14,500,000
	28 July 2009	1 January 2011 to 31 December 2011	3.59	–	15,000,000	–	(500,000)	14,500,000
				–	60,000,000	–	(31,000,000)	29,000,000
Director and other eligible participants of the Group								
	30 April 2008	16 June 2009 to 16 June 2016	2.00	38,000,000	–	(26,657,500)	–	11,342,500
	30 April 2008	16 June 2010 to 16 June 2016	2.00	12,666,667	–	–	(113,667)	12,553,000
	30 April 2008	16 June 2011 to 16 June 2016	2.00	12,666,667	–	–	(113,667)	12,553,000
	30 April 2008	16 June 2012 to 16 June 2016	2.00	12,666,666	–	–	(113,666)	12,553,000
				76,000,000	–	(26,657,500)	(341,000)	49,001,500
	28 July 2009	2 October 2009 to 31 December 2009	3.59	–	51,600,000	–	(51,600,000)	–
	28 July 2009	1 January 2010 to 31 December 2010	3.59	–	25,800,000	–	(500,000)	25,300,000
	28 July 2009	1 January 2011 to 31 December 2011	3.59	–	25,800,000	–	(500,000)	25,300,000
				–	103,200,000	–	(52,600,000)	50,600,000
				76,000,000	103,200,000	(26,657,500)	(52,941,000)	99,601,500

CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, the following transaction constituted a non-exempt connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules:

Acquisition by Top Promise of 10% equity interest in Chuanmei Mirabilite from Sichuan First

On 19 August 2009, Top Promise, an indirect wholly-owned subsidiary of the Company, and Sichuan First entered into an equity transfer agreement pursuant to which Sichuan First agreed to sell and Top Promise agreed to purchase from Sichuan First 10% equity interest in Chuanmei Mirabilite for a consideration of RMB264 million (equivalent to approximately HK$300 million). Prior to the said transaction, Top Promise and Sichuan First held 90% and 10% equity interest in Chuanmei Mirabilite respectively. This transaction was completed and following the completion, Chuanmei Mirabilite became an indirect wholly-owned subsidiary of the Company. The Company is of the view that the administration efficiency of Chuanmei Mirabilite can be enhanced by obtaining full control over of the business operation of Chuanmei Mirabilite.

Sichuan First was a substantial shareholder of Chuanmei Mirabilite and was a connected person of the Company.

Further details of this transaction were set out in the announcement of the Company dated 19 August 2009.

Pursuant to Chapter 14A of the Listing Rules, the following transaction entered into by the Group prior to the Listing constitutes a continuing connected transaction which is exempted from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules:

Financial assistance provided by Sino Polymer New Materials Co., Ltd ("Sino Polymer")

On 11 March 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 25 February 2009. The monthly rent and the management fees for the Hong Kong Premises under the Tenancy Agreement are HK$122,472 and approximately HK$15,455 respectively. On 11 March 2009, a guarantee and indemnity (the "Guarantee") was entered into among Hang Lung as agent for the Landlord, Top Promise, Sino Polymer (formerly known as Haton Polymer & Fibre Corp.,) and the Company, pursuant to which Sino Polymer and the Company unconditionally and irrevocably guarantee 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. Suo Lang Duo Ji, the chairman, a controlling shareholder and a non-executive Director is a connected person of the Company and Sino Polymer is more than 30% owned by him, Sino Polymer is an associate of Mr. Suo Lang Duo Ji and a connected person of the Company under the Listing Rules.

Further details of this transaction were set out in the section headed "Continuing Connected Transaction" of the prospectus of the Company dated 4 June 2009.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2009, the Company has not redeemed, and neither the Company nor any of its subsidiaries has purchased or sold, any of the shares of the Company.

From 1 January 2010 up to the date of this report, the Company repurchased a total of 7,436,000 shares of the Company on the Stock Exchange at an aggregate consideration (excluding expenses) of HK$14,576,440. All the repurchased shares were subsequently cancelled. Details of the repurchases are as follows:

Month of repurchases	Total number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate of consideration paid (excluding expenses)
		HK$	*HK$*	*HK$*
February 2010	7,436,000	1.99	1.90	14,576,440

The repurchases were made for the benefit of the equity holders to enhance the earnings per share of the Company.

Save as disclosed above, the Company has not redeemed, and neither the Company nor any of its subsidiaries has purchased or sold, any of the shares of the Company during the year ended 31 December 2009 and up to the date of this report.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the Companies Law of the Cayman Islands.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2009.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by public as at the date of this report.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has fully complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the accounting period covered by this report. Please refer to the Corporate Governance Report on pages 36 to 40 of this report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors a written confirmation of his independence from the Group. Based on such confirmations, the Company considers that each of such Directors to be independent from the Group for the purpose of Rule 3.13 of the Listing Rules.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Code. The primary duties of the Audit Committee are to assist the Board to provide an independent review of the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the audit process and to perform other duties and responsibilities assigned by the Board.

The Audit Committee, comprising three members namely, Mr. Patrick Logan Keen (the Chairman of the Committee and independent non-executive Director), Mr. Koh Tiong Lu, John (independent non-executive Director) and Mr. Wong Chun Keung (independent non-executive Director), has reviewed the accounting principles and practices adopted by the Group. It has also discussed and reviewed the internal controls and financial reporting matters, including the review of the audited consolidated financial results of the Group for the year ended 31 December 2009, with the management of the Company. The Audit Committee is of the opinion that the financial results have complied with applicable accounting standards, the Listing Rules and the legal requirements and that adequate disclosures have been made.

POST BALANCE SHEET EVENTS

There was no significant post balance sheet events of the Group up to the date of this report.

AUDITORS

Grant Thornton will retire and being eligible, offer themselves for re-appointment. A resolution for their re-appointment as auditors of the Company will be proposed, at the Annual General Meeting.

By order of the Board
Suo Lang Duo Ji
Chairman

Hong Kong
21 April 2010

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high standards of corporate governance and endeavours in following the code provisions (the "Code Provisions") of the "Code on Corporate Governance Practices" (the "Code") as set out in Appendix 14 to the Listing Rules.

The Board has set up the Audit Committee, remuneration committee of the Board (the "Remuneration Committee") and nomination committee of the Board (the "Nomination Committee") with written terms of reference prepared in accordance with the Code Provisions. Throughout the year ended 31 December 2009, the Company has complied with the Code Provisions.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors and senior management of the Group on terms no less exacting than the required standard under the Model Code. Having made specific enquiry of all Directors and senior management of the Group, all Directors and senior management of the Group have complied with the required standard set out in the Model Code and the Company's code of conduct regarding securities transactions by Directors and senior management during the year ended 31 December 2009.

BOARD OF DIRECTORS

The Board is currently composed of three executive Directors, namely Mr. Zhang Daming (the chief executive officer of the Group), Mr. Yu Man Chiu Rudolf and Mr. Li Xudong; three non-executive Directors, namely Mr. Suo Lang Duo Ji (the Chairman), Mr. Wang Chun Lin and Mr. Zhang Songyi; and five independent non-executive Directors, namely Mr. Patrick Logan Keen, Mr. Koh Tiong Lu, John, Mr. Wong Chun Keung, Mr. Gao Zongze and Mr. Xia

Lichuan. The biographical details of the Directors are set out on pages 17 to 21 of this report. All Directors are subject to retirement by rotation and may offer themselves for re-election at the annual general meeting of the Company in accordance with the provisions of the articles of association of the Company. Each of the executive Directors, non-executive Directors and independent non-executive Directors is appointed for a term of three years.

In compliance with Rule 3.10 of the Listing Rules, the Company has appointed five independent non-executive Directors, and each of the five independent non-executive Directors has confirmed his independence of the Company and the Company considers each of them to be independent in accordance with the guidelines of assessing independence as set out in Rule 3.13 of the Listing Rules.

The Board meets regularly to review and determine the corporate strategies and overall strategic policies. Apart from the regular Board meetings, the Board met on other occasions when a board level decision on a particular matter was required. Each of the members of the Board has full access to relevant information at the meetings. During the year ended 31 December 2009 and up to the date of this report, the Board has convened nine board meetings and conducted the following activities:

(1) approved the interim and final results, interim and annual reports, and matters to be considered at annual general meeting of the Company; and

(2) discussed the future business plans and financing of the Group.

Details of the Directors' attendance records at the Board meetings during the year ended 31 December 2009 and up to the date of this report are as follows:

	Attendance
Executive Directors	
Mr. Zhang Daming	9/9
Mr. Li Xudong	9/9
Mr. Yu Man Chiu Rudolf *(appointed with effect from 3 March 2010)*	1/1
Ms. Deng Xianxue *(resigned with effect from 3 March 2010)*	1/8
Non-executive Directors	
Mr. Suo Lang Duo Ji	8/9
Mr. Wang Chun Lin	8/9
Mr. Zhang Songyi	5/9
Independent non-executive Directors	
Mr. Patrick Logan Keen	6/8
Mr. Koh Tiong Lu, John	7/8
Mr. Wong Chun Keung	6/8
Mr. Gao Zongze *(appointed with effect from 3 March 2010)*	1/1
Mr. Xia Lichuan *(appointed with effect from 3 March 2010)*	1/1

The executive Directors and senior management of the Company, as delegated by the Board, are responsible for implementing the determined strategies and policies and the day-to-day management of the Group's business.

The roles of the chairman of the Company and the chief executive officer of the Group are segregated and are not exercised by the same individual.

NOMINATION COMMITTEE

The Nomination Committee is currently composed of three members, comprising two independent non-executive Directors, namely Mr. Koh Tiong Lu, John (Chairman) and Mr. Wong Chun Keung, and one non-executive Director, Mr. Wang Chun Lin. It was established by the Board and its duties are clearly defined in its written terms of reference which have been prepared and adopted according to the Code Provisions.

The major responsibilities of the Nomination Committee include reviewing the structure and the composition of the Board, and making recommendation to the Board on matters relating to Directors' nomination, appointment or reappointment and succession on regular basis. The Nomination Committee met twice during the year ended 31 December 2009 and up to the date of this report.

Details of the Directors' attendance records at such meetings are as follows:

	Attendance
Non-executive Director	
Mr. Wang Chun Lin	2/2
Independent non-executive Directors	
Mr. Koh Tiong Lu, John	2/2
Mr. Wong Chun Keung	2/2

REMUNERATION COMMITTEE

The Remuneration Committee is currently composed of three members, comprising two independent non-executive Directors, namely Mr. Wong Chun Keung (Chairman) and Mr. Patrick Logan Keen, and one non-executive Director, Mr. Suo Lang Duo Ji. It was established by the Board and its duties are clearly defined in its written terms of reference which have been prepared and adopted according to the Code Provisions.

The Remuneration Committee meets annually to review the remuneration policies and packages for Directors and senior management of the Company. No Director takes part in any discussions about his own remuneration. During the year ended 31 December 2009 and up to the date of this report, it has convened three meetings and reviewed the remuneration packages for the newly appointed directors of the Company.

Details of attendance of each member of the Remuneration Committee during the year ended 31 December 2009 and up to the date of this report are as follows:

	Attendance
Non-executive Director	
Mr. Suo Lang Duo Ji	3/3
Independent non-executive Directors	
Mr. Patrick Logan Keen	3/3
Mr. Wong Chun Keung	3/3

Generally, the employees of the Group (including the Directors) are remunerated based on their experience and qualifications, the Group's performance as well as market conditions.

AUDITORS' REMUNERATION

During the year, the auditors of the Company provided audit services to the Group at the fee of RMB971,000.

AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Patrick Logan Keen (Chairman), Mr. Koh Tiong Lu, John and Mr. Wong Chun Keung. The Audit Committee has adopted a written set of terms of reference in accordance with the Code Provisions.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the group audit. It also reviews the annual and interim reports of the Company prior to their approval by the Board, the effectiveness of the external audit and of internal controls and risk evaluation.

During the year and up to the date of this report, the Audit Committee has convened three meetings and conducted the following activities:

(1) reviewed interim and annual results of the Company;

(2) reviewed the internal controls and financial matters of the Group in pursuance of the terms of reference;

(3) reviewed the audit plans and findings of the external auditors of the Company; and

(4) made recommendation to the Board on the re-appointment of the external auditors.

Details of attendance records of each member of the Audit Committee at the meetings of the Audit Committee during the year ended 31 December 2009 and up to the date of this report are as follows:

	Attendance
Independent non-executive Directors	
Mr. Patrick Logan Keen	3/3
Mr. Koh Tiong Lu, John	3/3
Mr. Wong Chun Keung	3/3

There was no disagreement between the Board's and the Audit Committee's views on the selection and appointment of the external auditors.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Directors are responsible for the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Group. In preparing the financial statements for the year ended 31 December 2009, the Directors have selected appropriate accounting policies and applied them consistently, and have prepared the financial statements on a going concern basis.

The responsibilities of the external auditors are set out in the Auditors' Report to the shareholders of the Company on pages 41 to 42 of this report.

INTERNAL CONTROL

The Board is responsible for maintaining a sound and effective system of internal control. During the year, the Board has reviewed the effectiveness of the internal control system of the Group through the Audit Committee and the Compliance Committee of the Company. The Compliance Committee of the Company confirmed that it has performed its duties diligently in accordance with its terms of reference during the year. There was no significant incidence of failure in connection with the financial, operational and compliance control during the year.

INDEPENDENT AUDITORS' REPORT

Grant Thornton
均富

Member of Grant Thornton International Ltd

To the members of Lumena Resources Corp. 旭光資源有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Lumena Resources Corp. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 43 to 102, which comprise the consolidated and company statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements 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.

AUDITORS' RESPONSIBILITY

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

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

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

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

INDEPENDENT AUDITORS' REPORT

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants
6th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong

21 April 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
Revenue	6	**1,344,032**	1,140,354
Cost of sales		**(364,427)**	(343,794)
Gross profit		**979,605**	796,560
Other revenue and gains	7	**5,766**	3,128
Selling and distribution expenses		**(6,709)**	(11,147)
Other operating expenses		**(101,283)**	(76,158)
Finance costs	8	**(105,913)**	(98,800)
Profit before income tax	9	**771,466**	613,583
Income tax expense	10	**(226,561)**	(171,503)
Profit for the year		**544,905**	442,080
Other comprehensive income			
Exchange (loss)/gain on translation of financial statements of foreign operations		**(828)**	40,792
Other comprehensive income for the year, net of tax		**(828)**	40,792
Total comprehensive income for the year		**544,077**	482,872
Profit for the year attributable to:			
Owners of the Company	11	**532,966**	429,739
Minority interests		**11,939**	12,341
		544,905	442,080
Total comprehensive income attributable to:			
Owners of the Company		**532,138**	470,531
Minority interests		**11,939**	12,341
		544,077	482,872
		RMB cents	RMB cents
Earnings per share for profit attributable to the owners of the Company during the year	12		
– Basic		**30.49**	28.27
– Diluted		**30.17**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**1,607,383**	806,214
Land use rights	16	**57,084**	57,709
Goodwill	17	**8,386**	8,386
Mining rights	18	**390,850**	404,470
Other intangible asset	19	**17,588**	17,588
Deposits	20	**402,997**	309,741
		2,484,288	1,604,108
Current assets			
Inventories	22	**13,560**	8,270
Trade and other receivables	23	**515,338**	258,298
Pledged bank deposits	25	**170,646**	32,394
Cash and cash equivalents	26	**929,467**	827
		1,629,011	299,789
Current liabilities			
Trade and other payables	27	**305,197**	360,795
Bank borrowings	28	**236,500**	258,947
Tax payable		**15,989**	34,995
		557,686	654,737
Net current assets/(liabilities)		**1,071,325**	(354,948)
Total assets less current liabilities		**3,555,613**	1,249,160
Non-current liabilities			
Bank borrowings	28	**120,000**	423,618
Fixed rate senior notes	29	**1,616,755**	–
Deferred tax liability	31	**30,616**	–
		1,767,371	423,618
Net assets		**1,788,242**	825,542
EQUITY			
Share capital	32	**143**	113
Reserves	33	**1,788,099**	785,187
Equity attributable to the owners of the Company		**1,788,242**	785,300
Minority interests		**–**	40,242
Total equity		**1,788,242**	825,542

STATEMENT OF FINANCIAL POSITION

as at 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	21	**725,759**	728,974
		725,759	728,974
Current assets			
Other receivables	23	**67,902**	6,885
Loans to subsidiaries	24	**1,190,843**	–
Pledged bank deposits	25	**170,646**	32,355
Cash and cash equivalents	26	**165,056**	–
		1,594,447	39,240
Current liabilities			
Other payables	27	**99,944**	124,916
Bank borrowings	28	**–**	169,447
		99,944	294,363
Net current assets/(liabilities)		**1,494,503**	(255,123)
Total assets less current liabilities		**2,220,262**	473,851
Non-current liabilities			
Bank borrowings	28	**–**	423,618
Fixed rate senior notes	29	**1,616,755**	–
Net assets		**603,507**	50,233
EQUITY			
Share capital	32	**143**	113
Reserves	33	**603,364**	50,120
Total equity		**603,507**	50,233

Director **Director**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2009

	2009 RMB'000	2008 RMB'000
Cash flows from operating activities		
Profit before income tax	**771,466**	613,583
Adjustments for:		
Interest income	**(2,266)**	(1,300)
Interest expense	**105,913**	98,800
Depreciation of property, plant and equipment	**41,424**	41,228
Gain on disposals of property, plant and equipment	**–**	(364)
Amortisation of land use rights	**1,288**	1,274
Amortisation of mining rights	**13,620**	4,236
Write-off of inventories	**–**	913
Write-off of property, plant and equipment	**430**	–
Share-based payments	**37,965**	13,800
Foreign exchange differences	**(830)**	3,011
Operating profit before working capital changes	**969,010**	775,181
Increase in trade and other receivables	**(257,040)**	(9,570)
Increase in inventories	**(5,290)**	(1,254)
(Decrease)/Increase in trade and other payables	**(173,170)**	134,687
Cash generated from operations	**533,510**	899,044
Income tax paid	**(214,951)**	(147,534)
Net cash generated from operating activities	**318,559**	751,510
Cash flows from investing activities		
Interest received	**2,266**	1,300
(Increase)/Decrease in pledged bank deposits	**(138,252)**	14,594
Purchase of property, plant and equipment	**(843,023)**	(225,894)
Proceeds from disposal of property, plant and equipment	**–**	880
Deposits paid for acquisition of property, plant and equipment	**(245,752)**	(309,741)
Deposits paid for acquisition of mining rights	**(115,982)**	–
Deposits paid for acquisition of land use rights	**(26,801)**	–
Acquisition of minority interests	**(184,800)**	–
Other deposits paid	**(4,462)**	–
Refund of deposits paid for acquisition of property, plant and equipment	**299,741**	–
Payment for purchase of land use rights	**(663)**	(31,583)
Payment for acquisition of mining rights	**–**	(249,411)
Net cash used in investing activities	**(1,257,728)**	(799,855)

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2009

	2009 RMB'000	2008 RMB'000
Cash flows from financing activities		
Proceeds from issuance of share capital	**759,645**	–
Share issue expenses	**(114,987)**	–
Proceeds from new borrowings	**1,311,207**	106,400
Repayment of borrowings	**(1,637,272)**	(29,500)
Proceeds from fixed rate senior notes	**1,614,319**	–
Interest paid	**(65,103)**	(98,800)
Net cash generated from/(used in) financing activities	**1,867,809**	(21,900)
Net increase/(decrease) in cash and cash equivalents	**928,640**	(70,245)
Cash and cash equivalents at 1 January	**827**	71,057
Effect of foreign exchange rate changes, on cash held	**–**	15
Cash and cash equivalents at 31 December	**929,467**	827

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2009

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium* RMB'000	Employee share-based compensation reserve* RMB'000	Capital contribution* RMB'000	General reserve* RMB'000	Statutory reserves* RMB'000	Translation reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2008	77	27,872	–	103,539	–	30,150	26,804	112,527	300,969	27,901	328,870
Issue of new shares upon capitalisation issue (note 32(iii))	36	(36)	–	–	–	–	–	–	–	–	–
Recognition of share-based payments	–	–	13,800	–	–	–	–	–	13,800	–	13,800
Transactions with owners	36	(36)	13,800	–	–	–	–	–	13,800	–	13,800
Profit for the year	–	–	–	–	–	–	–	429,739	429,739	12,341	442,080
Other comprehensive income											
Exchange gain on translation of financial statements of foreign operations	–	–	–	–	–	–	40,792	–	40,792	–	40,792
Total comprehensive income for the year	–	–	–	–	–	–	40,792	429,739	470,531	12,341	482,872
Transfer to statutory reserves	–	–	–	–	–	88,309	–	(88,309)	–	–	–
At 31 December 2008 and 1 January 2009	113	27,836	13,800	103,539	–	118,459	67,596	453,957	785,300	40,242	825,542
Issue of new shares arising from listing (note 32(iv))	28	712,628	–	–	–	–	–	–	712,656	–	712,656
Expenses of share issues	–	(114,987)	–	–	–	–	–	–	(114,987)	–	(114,987)
Exercise of share options	2	59,147	(12,160)	–	–	–	–	–	46,989	–	46,989
Recognition of share-based payments	–	–	37,965	–	–	–	–	–	37,965	–	37,965
Acquisition of minority interests (note 35)	–	–	–	–	(211,819)	–	–	–	(211,819)	(52,181)	(264,000)
Transactions with owners	30	656,788	25,805	–	(211,819)	–	–	–	470,804	(52,181)	418,623
Profit for the year	–	–	–	–	–	–	–	532,966	532,966	11,939	544,905
Other comprehensive income											
Exchange loss on translation of financial statements of foreign operations	–	–	–	–	–	–	(828)	–	(828)	–	(828)
Total comprehensive income for the year	–	–	–	–	–	–	(828)	532,966	532,138	11,939	544,077
Transfer to statutory reserves	–	–	–	–	–	108,055	–	(108,055)	–	–	–
Lapse of share options	–	–	(6,164)	–	–	–	–	6,164	–	–	–
At 31 December 2009	**143**	**684,624**	**33,441**	**103,539**	**(211,819)**	**226,514**	**66,768**	**885,032**	**1,788,242**	**–**	**1,788,242**

* The total of these reserve accounts amounts to approximately RMB1,788,099,000 (2008: RMB785,187,000).

1. GENERAL INFORMATION

Lumena Resources Corp. (the "Company") is a limited liability incorporated in the Cayman Islands. The address of the Company's registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands and its principal place of business is situated at Suite 2801, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 16 June 2009.

Details of the Group reorganisation prior to the listing of the Company's shares on the Main Board of the Stock Exchange are disclosed in the Company's prospectus dated 4 June 2009.

The Company and its subsidiaries (collectively the "Group") are principally engaged in processing and sale of powder thenardite, specialty thenardite and medical thenardite.

The financial statements for the year ended 31 December 2009 were approved for issue by the board of directors on 21 April 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group on pages 43 to 102 have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards and Interpretations 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 IASB. The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended IFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 3.

The financial statements have been prepared on the historical cost convention. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (see note 2.3 below) made up to 31 December each year.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Minority interest represent 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 interest are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Profit or loss attributable to the minority interest are presented separately in the consolidated statement of comprehensive income as an allocation of the Group's results. Where losses applicable to the minority exceeds the minority interest 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.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transaction.

2.3 Subsidiaries

Subsidiaries are an entities (including special purpose entity) over which the Group has power to govern its financial and operating polices so as to obtain benefits from their 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.

In consolidated financial statements, acquisition of subsidiaries (other than those under common control) is accounted for by applying the purchase method. This involves the estimation of fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment losses unless the subsidiary is held for sale or included in a disposal group. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 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. The cost of the business combination is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group, plus any costs directly attributable to the business combination.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in profit or loss.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal. Goodwill relating to business combinations prior to 1 January 2001 continues to be held in reserves and will be charged to the retained profits at the time when the business to which the goodwill relates is disposed of or when a cash-generating unit to which goodwill relates becomes impaired.

2.5 Property, plant and equipment

Buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease, and other items of plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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.

Depreciation on property, plant and equipment, other than CIP is provided, using the straight-line method, to write off the cost or revalued amounts over their estimated useful lives, as follows:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Property, plant and equipment *(Continued)*

Building and mining structures (including leasehold improvements)	4 to 30 years
Furniture, machinery and equipment	5 to 20 years
Motor vehicles	5 to 12 years

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

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Any revaluation surplus remaining in equity is transferred to retained earnings on the disposal of land and building.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

2.6 Land use rights

Payment for obtaining land use rights is considered as operating lease payment and charged to profit or loss over the period of the right using the straight-line method.

2.7 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 profit or loss on the straight-line basis over the lease terms.

2.8 Foreign currencies

The functional currency of the Company is Hong Kong dollars ("HKD"). The financial statements are 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 recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

For the purpose of the consolidated financial statements, 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 reporting date, and their statements of comprehensive income 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 recognised in profit or loss in the period in which the foreign operation is disposed of.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Mining rights

Mining rights are stated at cost less accumulated amortisation and are amortised on a straight line basis over the 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.

2.10 Intangible asset (other than goodwill)

Trademark acquired in a business combination

Trademark acquired in a business combination is identified and recognised 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 2.11.

2.11 Impairment of non-financial assets

The followings assets are subject to impairment testing:

- Goodwill arising on acquisition of a subsidiary;
- Other intangible asset;
- Property, plant and equipment;
- Land use rights; and
- The Company's interests in subsidiaries

Goodwill and other intangible asset with an indefinite useful life is 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 asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of its fair value, reflecting market conditions less costs to sell and its value in use. 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.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Impairment of non-financial assets *(Continued)*

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

2.12 Inventories

Inventories comprise raw materials and finished goods. At every reporting date, the inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis, comprise direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

2.13 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 every reporting date.

All financial assets are recognised 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 recognised on trade date. When financial assets are recognised 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.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Financial assets *(Continued)*

Impairment of financial assets

The Group assesses at each reporting 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 reorganisation;
- 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 costs.

Loss events in respect of a group of financial assets included 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 recognised as follows:

If there is objective evidence that an impairment loss on loans and receivables carried at amortised 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 carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of impairment loss is recognised in profit or loss of the period in which the impairment occurs.

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 recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and at banks including term deposits, which are not restricted as to use.

2.15 Financial liabilities

The Group's financial liabilities comprise bank borrowings, fixed rate senior notes and trade and other payables including amounts due to related parties. They are included in the line items in the statement of financial position as borrowings under current or non-current liabilities or trade and other payables.

Borrowings are recognised initially at fair value, net of directly attributable transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss 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 date of statement of financial position.

Trade and other payables are recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (note 2.16).

Financial liabilities are derecognised 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, and the difference in the respective carrying amount is recognised in profit or loss.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

2.16 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for their intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 Government grants

Government grants are recognised 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 recognised 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.

2.18 Provision and contingent liabilities

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that 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 recognised for a provision is the present value at the reporting 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 profit or loss.

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.

2.19 Income taxes

Income tax comprises current and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on all temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, 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, unused tax credits and unused tax losses can be utilised.

Deferred tax assets and liabilities are not recognised if temporary differences arise from the initial recognition (other than in a business combination) of assets or liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities in respect of taxable temporary differences associated with on investments in subsidiaries except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Income taxes *(Continued)*

Deferred tax is calculated, without discounting, at the tax rates that are expected to apply in the period the liability is settled or the asset realised, provided that they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

  (i) the same taxable entity; or

  (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and the use by others of the Group's assets yielding interest, net of discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

i) Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

ii) Interest income is recognised on a time-proportion basis using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised 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.

2.22 Share capital

Ordinary shares with discretionary dividends are classified as equity. Share capital is determined using the nominal value of shares that have been issued. 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.

2.23 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 HKD1,000 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 People's Republic of China (the "PRC"), the employees of the entities established in the PRC participate in defined contribution retirement benefits plans organised 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 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 recognised 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 recognised as an expense in profit or loss 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 recognised 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 recognised in profit or loss 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.

2.25 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components.

Individually material operating segments are not aggregated for financial reporting purpose unless the segments have similar characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they are share a majority of these criteria.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.26 Related parties

For the purposes of these financial statements, a party is considered to be related to the group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the group or exercise significant influence over the group in making financial and operating policy decisions, or has joint control over the group;

(ii) the group and the party are subject to common control;

(iii) the party is an associate of the group or a joint venture in which the group is a venturer;

(iv) the party is a member of key management personnel of the group or the group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the group or of any entity that is a related party of the group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

3. ADOPTION OF NEW OR AMENDED IFRSs

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations (the "new IFRSs") issued by the IASB, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2009:

IAS 1 (Revised 2007)	Presentation of financial statements
IAS 23 (Revised 2007)	Borrowing costs
IAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or an associate
IFRS 2 (Amendments)	Share-based payment – vesting conditions and cancellations
IFRS 7 (Amendments)	Improving disclosures about financial instruments
IFRS 8	Operating segments
Various	Annual improvements to IFRSs 2008

Other than as noted below, the adoption of the new IFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

3. ADOPTION OF NEW OR AMENDED IFRSs *(Continued)*

IAS 1 (Revised 2007) Presentation of financial statements

The adoption of IAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. A third statement of financial position as at the beginning of the earliest comparative period is required when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements or when it reclassifies items in its financial statements. It also gives rise to additional disclosures.

The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income, for example exchange difference on translation of financial statements of foreign operations. IAS 1 affects the presentation of owner changes in equity and introduces a 'Statement of comprehensive income'. Comparatives have been restated to conform with the revised standard. The Group has applied changes to its accounting polices on presentation of financial statements and segment reporting retrospectively. However, the changes to the comparatives have not affected the consolidated or parent company statement of financial position at 1 January 2008 and accordingly the third statement of financial position as at 1 January 2008 is not presented.

IAS 27 (Amendments) Cost of an investment in a subsidiary, jointly controlled entity or an associate

The amendment requires the investor to recognise dividends from a subsidiary, jointly controlled entity or associate in profit or loss irrespective the distributions are out of the investee's pre-acquisition or post-acquisition reserves.

Under the new accounting policy, if the dividend distribution is excessive, the investment would be tested for impairment according to the Company's accounting policy on impairment of non-financial assets.

For the current year, the Company did not receive any dividends from its subsidiaries. The new accounting policy has been applied prospectively as required by the amendments to IAS 27, and therefore no comparatives have been restated.

IFRS 2 (Amendments) Share-based payment – vesting conditions and cancellations

This standard has been amended to clarify the definition of vesting conditions and to prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. The adoption of this amendment did not have any impact on the financial position or performance of the Group.

IFRS 7 (Amendments) Improving disclosures about financial instruments

The amendments require additional disclosures for financial instruments which are measured at fair value in the statement of financial position. These fair value measurements are categorised into a three-level fair value hierachy, which reflects the extent of observable market data used in making the measurements. In addition, the maturity analysis for derivative financial liabilities is disclosed separately and should show remaining contractual maturities for those derivatives where this information is essential for an understanding of the timing of the cash flows. The Group has taken advantage of the transitional provisions in the amendments and has not provided comparative information in respect of the new requirements.

3. ADOPTION OF NEW OR AMENDED IFRSs *(Continued)*

IFRS 8 Operating segments

The adoption of IFRS 8 has not affected the identified and reportable operating segments for the Group. However, reported segment information is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns. Comparatives have been restated on a basis consistent with the new standard.

At the date of authorisation of these financial statements, certain new and amended IFRSs have been published but are not yet effective, and have not been adopted early by the Group.

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended IFRSs that are expected to have impact on the Group's accounting policies is provided below. Certain other new and amended IFRSs have been issued but are not expected to have a material impact of the Group's financial statements.

IFRS 3 Business combinations (Revised 2008)

The standard is applicable in reporting periods beginning on or after 1 July 2009 and will be applied prospectively. The new standard still requires the use of the purchase method (now renamed the acquisition method) but introduces material changes to the recognition and measurement of consideration transferred and the acquiree's identifiable assets and liabilities, and the measurement of non-controlling interests (previously known as minority interests) in the acquiree. The new standard is expected to have a significant effect on business combinations occurring in reporting periods beginning on or after 1 July 2009.

IFRS 9 Financial instruments

The standard is effective for accounting periods beginning on or after 1 January 2013 and addresses the classification and measurement of financial assets. The new standard reduces the number of measurement categories of financial assets and all financial assets will be measured at either amortised cost or fair value based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Fair value gains and losses will be recognised in profit or loss except for those on certain equity investments which will be presented in other comprehensive income. The directors are currently assessing the possible impact of the new standard on the Group's results and financial position in the first year of application.

IAS 27 Consolidated and separate financial statements (Revised 2008)

The revised standard is effective for accounting periods beginning on or after 1 July 2009 and introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the Group's interest in subsidiaries. Total comprehensive income must be attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The directors do not expect the standard to have a material effect on the Group's financial statements.

3. ADOPTION OF NEW OR AMENDED IFRSs *(Continued)*

Annual improvements 2009

The IASB has issued Improvements to IFRSs 2009. Most of the amendments become effective for annual periods beginning on or after 1 January 2010. The Group expects the amendment to IAS 17 Leases to be relevant to the Group's accounting policies. Prior to the amendment, IAS 17 generally required a lease of land to be classified as an operating lease. The amendment requires a lease of land to be classified as an operating or finance lease in accordance with the general principles in IAS 17. The Group will need to reassess the classification of its unexpired leases of land at 1 January 2010 on the basis of information existing at the inception of those leases in accordance with the transitional provisions for the amendment. The amendment will apply retrospectively except where the necessary information is not available. In that situation, the leases will be assessed on the date when the amendment is adopted. The directors are currently assessing the possible impact of the amendment on the Group's results and financial position in the first year of application.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the Group's accounting policies, which are described in note 2, management has made various estimates and judgements 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 judgements are continually evaluated. The key source of estimation uncertainty and accounting judgements 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 recognised in the financial statements 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 2.4. 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 17.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting 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 indefinite life intangible assets are set out in note 19.

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 judgement. A considerable amount of judgement is required in assessing the expected timing of collection and ultimate realisation of these receivables, including credit worthiness and collection history of each customer and other debtor. Management will reassess the provision at each reporting 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

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 profit or loss.

Provision for reclamation and closure cost

Provision for reclamation and closure cost is estimated based on management's interpretation of current regulatory requirements and their past experiences. Provision set up, if any, is reviewed regularly by management to ensure it properly reflects the obligation arising from mining and exploration activities.

5. SEGMENT INFORMATION

On adoption of IFRS 8 Operating segments, the Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the Group's executive directors for their decisions about resources allocation to the Group's business components and review of these components' performance. There is only one business component in internal reporting to the executive directors, which is the processing and sales of powder thenardite, specialty thenardite and medical thenardite.

The directors consider that the adoption of IFRS 8 has not changed the identified operating segment of the Group compared to 2008 annual financial statements.

Under IFRS 8, reported segment information is based on internal management reporting information that is regularly reviewed by the executive directors. The executive directors assess segment profit or loss using a measure of operating profit. The measurement policies the Group uses for reporting segment results under IFRS 8 are the same as those used in its financial statements prepared under IFRSs, except that certain items are not included in arriving at the operating results of the operating segment (expenses relating to share-based payments, income tax and corporate income and expenses).

Segment assets include all assets with the exception of corporate assets which are not directly attributable to the business activities of operating segment as these assets are managed on a group basis.

Segment liabilities include trade and other payables and fixed rate senior notes attributable to the manufacturing and sales activities of the business segment. Certain other payables are managed on a group basis.

5. SEGMENT INFORMATION *(Continued)*

The revenue, profit, assets and liabilities generated by the Group's operating segment are summarised as follows:

	2009 RMB'000	2008 RMB'000
Reportable segment revenue (note)	**1,344,032**	1,140,354
Reportable segment profit	**828,728**	652,033
Interest income	**1,937**	66
Interest expense	**(105,913)**	(98,800)
Depreciation and amortisation	**(55,487)**	(45,730)
Reportable segment assets	**3.650,322**	1,861,130
Additions to non-current segment assets	**1,246,682**	712,253
Reportable segment liabilities	**(2,237,149)**	(958,883)

Note: All of the segment revenue reported above is from external customers.

Reconciliation of reportable segment profit, assets and liabilities

	2009 RMB'000	2008 RMB'000
Profit		
Reportable segment profit	**828,728**	652,033
Share-based payment expense	**(37,965)**	(13,800)
Depreciation	**(845)**	(1,008)
Corporate income	**1,565**	1,239
Corporate expenses	**(20,017)**	(24,881)
Profit before income tax	**771,466**	613,583
Assets		
Reportable segment assets	**3,650,322**	1,861,130
Corporate assets	**462,977**	42,767
Group assets	**4,113,299**	1,903,897
Liabilities		
Reportable segment liabilities	**2,237,149**	958,883
Corporate liabilities	**87,908**	119,472
Group liabilities	**2,325,057**	1,078,355

5. SEGMENT INFORMATION *(Continued)*

The Group's revenues from external customers and its non-current assets are divided into the following geographical areas:

	Revenue from external customers		Non-current assets	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Local (country of domicile):				
– The PRC, other than Hong Kong	**1,343,054**	1,129,863	**2,482,087**	1,601,399
New Zealand	**695**	5,009	**–**	–
Hong Kong	**–**	–	**2,201**	2,709
Others	**283**	5,482	**–**	–
	978	10,491	**2,201**	2,709
	1,344,032	1,140,354	**2,484,288**	1,604,108

The geographical location of customers is based on the location at which the goods were delivered. The geographical location of the non-current assets is based on the physical location of the asset.

The Company is an investment holding company incorporated in the Cayman Islands where the Group does not have any activities, the Group has the majority of its operations and workforce in the PRC, and therefore, PRC is considered as the Group's country of domicile for the purpose of the disclosures as required by IFRS 8 "Operating Segments".

Revenue of approximately RMB339,170,000 (2008: RMB265,984,000) was derived from sales to a single customer, being the largest customer of the Group in 2009. As at 31 December 2009, approximately RMB122,951,000 (2008: RMB 44,028,000) was due from this customer.

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 year. The amount of each significant category of the revenue recognised is as follows:

	2009	2008
	RMB'000	RMB'000
Revenue		
– powder thenardite	**126,659**	154,486
– medical thenardite	**335,729**	192,163
– specialty thenardite	**881,644**	793,705
	1,344,032	1,140,354

7. OTHER REVENUE AND GAINS

	2009 RMB'000	2008 RMB'000
Interest income on bank balances stated at amortised cost	**2,266**	1,300
Gain on disposals of scrap materials	**1,007**	1,530
Government subsidy	**1,085**	–
Net foreign exchange gain	**1,235**	–
Others	**173**	298
	5,766	3,128

Government grants were received from the PRC government for encouraging the Group's registered trademark "Chuanmei" as a "China Well-known Trademark" recognised by the State Administration for Industry and Commerce. There are no unfulfilled conditions or contingencies relating to these grants.

8. FINANCE COSTS

	2009 RMB'000	2008 RMB'000
Interest expenses on bank borrowings wholly repayable within five years	**66,238**	119,593
Interest expenses on fixed rate senior notes	**37,237**	–
Amortisation of fixed rate senior notes	**2,438**	–
Less: Amount included in the cost of qualifying assets	**–**	(20,793)
	105,913	98,800

Borrowing costs included in the cost of qualifying assets have been capitalised at rate of 19.54% for the year ended 31 December 2008.

9. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting) the following items:

	2009 **RMB'000**	2008 RMB'000
Auditors remuneration	**971**	1,274
Amortisation of land use rights (note (i))	**1,288**	1,274
Amortisation of mining rights (note (i))	**13,620**	4,236
Cost of inventories recognised as an expense	**364,427**	256,471
Depreciation of property, plant and equipment (note (ii))	**41,424**	41,228
Repair expenses arising from earthquake	**–**	8,280
Gain on disposals of property, plant and equipment	**–**	(364)
Write-off of property, plant and equipment	**430**	–
Net foreign exchange loss	**–**	47
Operating lease charges on rented premises	**3,174**	2,284
Staff costs (including directors' remuneration)		
– Wages, salaries and bonus	**40,722**	42,012
– Equity-settled share-based payments (note 34)	**37,965**	13,800
– Contribution to defined contribution pension plans	**2,469**	2,093
	81,156	57,905

Notes:

(i) Amounts have been included in other operating expenses on the face of consolidated statement of comprehensive income.

(ii) Depreciation of RMB38,113,000 (2008: RMB37,930,000), RMB251,000 (2008: RMB251,000) and RMB3,060,000 (2008: RMB3,047,000) has been charged to cost of sales and selling and distribution expenses and other operating expenses respectively, for the year ended 31 December 2009.

10. INCOME TAX EXPENSE

	2009 **RMB'000**	2008 RMB'000
Current tax		
– Provision for PRC income tax	**195,945**	171,503
Deferred tax (note 31)	**30,616**	–
Total income tax expense	**226,561**	171,503

10. INCOME TAX EXPENSE (Continued)

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any taxation under the jurisdiction of Cayman Islands and BVI during the year (2008: Nil).

(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 year (2008: Nil).

(iii) Sichuan Chuanmei Mirabilite Co., Ltd. ("Chuanmei Mirabilite"), one of the subsidiaries of the Company, 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税務局國税優批 (2005) 019 號), Chuanmei Mirabilite is entitled for exemption of PRC Enterprise Income Tax ("EIT") for two years starting from first year of profitable operations after offsetting prior year tax losses, followed by a three-year 50% tax deduction. The year ended 31 December 2005 was Chuanmei Mirabilite's first profit-making year and was the first year of its tax holiday.

(iv) On 16 March 2007, the National People's Congress approved the Enterprise Income Tax Law of the PRC ("new EIT Law"), which became effective on 1 January 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 31 December 2009, Chuanmei Mirabilite is subject to EIT tax rate of 12.5% (2008: 12.5%).

(v) Sichuan Chuanmei Special Glauber Salt Co., Ltd. ("Chuanmei Glauber Salt"), another subsidiary of the Company, is subject to EIT tax rate of 25% for the year ended 31 December 2009 (2008: 25%).

(vi) For the year ended 31 December 2009, the Group did not have any material unrecognised deferred tax assets.

Pursuant to the new EIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. A lower withholding tax rate is enjoyed by the Group because there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated for the year ended 31 December 2009.

A reconciliation of income tax expense and accounting profit at applicable tax rate is as follows:

	2009 RMB'000	2008 RMB'000
Profit before income tax	**771,466**	613,583
Tax calculated at domestic tax rates applicable to profits in the respective jurisdictions	**209,340**	164,848
Effect of tax holidays of the PRC subsidiaries	**(33,274)**	(17,799)
Tax effect of expenses not deductible	**22,030**	24,658
Tax effect of income not taxable	**(2,151)**	(204)
Effect of withholding tax at 5% on distributable profits of the Group's PRC subsidiaries	**30,616**	–
Income tax expense	**226,561**	171,503

11. PROFIT ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

Of the consolidated profit attributable to the owners of the Company of RMB532,966,000 (2008: RMB429,739,000), a loss of RMB128,497,000 (2008: RMB120,935,000) has been dealt with in the financial statements of the Company.

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of RMB532,966,000 (2008: RMB429,739,000) and the weighted average number of ordinary shares of 1,748,179,236 (2008: the number of ordinary shares of 1,520,000,000, which has been determined after taking into consideration of the share subdivision, and 520,000,000 shares issued pursuant to the capitalisation issue of the Company on 25 April 2008, as if the shares were in issue since 1 January 2008) in issue during the year, which has been determined after taking into consideration of the shares issued to the public by way of global offering and the exercise of share options.

The calculation of diluted earnings per share for the year ended 31 December 2009 is based on the profit attributable to owners of the Company of RMB532,966,000 and the weighted average number of ordinary shares of 1,766,813,424 outstanding during the year, after adjusting for the effects of all dilutive potential ordinary shares.

The weighted average number of ordinary shares used in the calculation of diluted earnings per share is calculated based on the weighted average number of ordinary shares of 1,748,179,236 in issue during the year as used in calculation of basic earnings per share plus the number of ordinary shares of 18,634,188 deemed to be issued at no consideration as if all the Company's shares options had been exercised.

The Company assumed the outstanding share options under the pre-IPO share option scheme approved by the Company's shareholders on 30 April 2008 ("Pre-IPO Share Option Scheme") had been exercised upon the grant date of the share options. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares from the listing date on 16 June 2009 to 31 December 2009).

No diluted earnings per share for the year ended 31 December 2008 is presented as its inclusion, for the purpose of this report is not considered meaningful.

13. DIVIDENDS

No dividends were approved and paid during the year (2008: Nil).

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

Directors' emoluments

	Directors' fees RMB'000	Salaries and allowance RMB'000	Discretionary bonus RMB'000	Contribution to pension plans RMB'000	Equity-settled share-based payment expenses RMB'000	Total RMB'000
2009						
Executive directors						
Zhang Daming	**–**	**917**	**–**	**11**	**3,152**	**4,080**
Deng Xianxue	**–**	**917**	**–**	**11**	**3,111**	**4,039**
Li Xudong	**–**	**630**	**–**	**13**	**2,968**	**3,611**
Non-executive directors						
Suo Lang Duo Ji	**–**	**1,146**	**–**	**11**	**383**	**1,540**
Zhang Songyi	**–**	**1,146**	**–**	**11**	**383**	**1,540**
Wang Chun Lin	**–**	**1,237**	**–**	**11**	**2,394**	**3,642**
Independent non-executive directors						
Patrick Logan Keen	**206**	**–**	**–**	**–**	**–**	**206**
Koh Tiong Lu John	**154**	**–**	**–**	**–**	**–**	**154**
Wong Chun Keung	**154**	**–**	**–**	**–**	**–**	**154**
	514	**5,993**	**–**	**68**	**12,391**	**18,966**

	Directors' fees RMB'000	Salaries and allowance RMB'000	Discretionary bonus RMB'000	Contribution to pension plans RMB'000	Equity-settled share-based payment expenses RMB'000	Total RMB'000
2008						
Executive directors						
Zhang Daming	–	925	–	11	792	1,728
Deng Xianxue	–	930	–	25	750	1,705
Li Xudong	–	454	–	15	600	1,069
Non-executive directors						
Suo Lang Duo Ji	–	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

No emoluments were paid by the Group to any directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2008: Nil).

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

There were no arrangements under which a director waived or agreed to waive any remuneration during the year (2008: Nil).

The value of share options granted to directors is measured according to the Group's accounting policy for share-based compensation set out in Note 2.24. Details of these benefits in kind including the principal terms and number of options granted are disclosed under the heading 'share options' in the directors' report.

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included five (2008: five) directors whose emoluments are reflected in the analysis presented above.

15. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Construction in progress RMB'000	Buildings and mining structures RMB'000	Furniture, machinery and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 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 31 December 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)
Reclassifications	(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 31 December 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
Year ended 31 December 2009					
Opening net book amount	**205,971**	**170,676**	**426,983**	**2,584**	**806,214**
Additions	**755,703**	**30,103**	**56,682**	**535**	**843,023**
Depreciation	**–**	**(8,903)**	**(31,782)**	**(739)**	**(41,424)**
Write-off	**–**	**(430)**	**–**	**–**	**(430)**
Reclassifications	**(657,572)**	**537,658**	**119,871**	**43**	**–**
Closing net book amount	**304,102**	**729,104**	**571,754**	**2,423**	**1,607,383**
At 31 December 2009					
At cost	**304,102**	**749,061**	**665,504**	**4,768**	**1,723,435**
Accumulated depreciation	**–**	**(19,957)**	**(93,750)**	**(2,345)**	**(116,052)**
Net book amount	**304,102**	**729,104**	**571,754**	**2,423**	**1,607,383**

The Group's buildings are on land held under medium-term lease in the PRC.

Certain buildings and mining structures, machinery and equipment are pledged to secure bank borrowings granted to the Group as disclosed in note 30.

16. LAND USE RIGHTS – GROUP

	2009 RMB'000	2008 RMB'000
Net carrying amount at 1 January	**57,709**	56,400
Additions	**663**	2,583
Amortisation charge	**(1,288)**	(1,274)
Net carrying amount at 31 December	**57,084**	57,709

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 amortised over their lease periods. As at 31 December 2009, the land use rights have remaining lease periods from 32 to 49 years.

17. GOODWILL – GROUP

	RMB'000
Net carrying amount at 1 January 2008 and 31 December 2008	8,386
Net carrying amount at 31 December 2009	8,386

Goodwill as at 31 December 2009 arose from the acquisition of Chuanmei Mirabilite in 2004. For the annual impairment test, 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 three-year budget plan. The discount rate applied to the cash flow projections was 22.89%. (2008: 22.89%) Cash flow beyond the three-year period is extrapolated using the estimated growth rate of 2% (2008: 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. The following described each key assumption on which management has based for its 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.

18. MINING RIGHTS – GROUP

	RMB'000
At 1 January 2008	
Cost	245,427
Accumulated amortisation	(357)
Net book value	245,070
Year ended 31 December 2008	
Opening net book amount	245,070
Additions	163,636
Amortisation charge	(4,236)
Closing net book amount	404,470
At 31 December 2008	
Cost	409,063
Accumulated amortisation	(4,593)
Net book value	404,470
Year ended 31 December 2009	
Opening net book amount	404,470
Amortisation charge	(13,620)
Closing net book amount	390,850
At 31 December 2009	
Cost	409,063
Accumulated amortisation	(18,213)
Net book value	390,850

18. MINING RIGHTS – GROUP *(Continued)*

Notes:

(i) 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 amortised over the contractual period of 3.5 years. During the year ended 31 December 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.

(ii) On 10 September 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 in 2007. The remaining balance of RMB85,775,000 was paid in 2008. During the year ended 31 December 2008, borrowing costs of approximately RMB20,793,000 were capitalised and included in the cost incurred for acquisition of mining right of the Muma Mining Area.

(iii) During the year ended 31 December 2008, the Group also made a payment of approximately RMB91,797,000 for the acquisition of the mining right of the Guangji Mining Area.

(iv) 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 12 September 2008. The mining rights are amortised over their estimated useful life of 30 years.

(v) Details of the Group's mining rights pledged to secure the Group's bank borrowings are set out in note 30 below.

19. OTHER INTANGIBLE ASSET – GROUP

	Trademark RMB'000
At 1 January 2008, 31 December 2008	
Cost	17,588
Impairment loss recognised	–
Net book value	17,588
At 31 December 2009	
Cost	17,588
Impairment loss recognised	–
Note book value	17,588
Year ended 31 December 2008 and 2009	
Opening net book amount	17,588
Closing net book amount	17,588

19. OTHER INTANGIBLE ASSET – GROUP *(Continued)*

Trademark as at 31 December 2009 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 have 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 reporting 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% (2008: 19.84%). Cash flow beyond the three-year period is extrapolated using the estimated growth rate of 2% (2008: 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. 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.

20. DEPOSITS – GROUP

	2009 **RMB'000**	2008 RMB'000
Deposits paid for acquisition of property, plant and equipment	**255,752**	309,741
Deposits paid for acquisition of land use right	**26,801**	–
Deposits paid for acquisition of mining right	**115,982**	–
Other deposits	**4,462**	–
	402,997	309,741

21. INTERESTS IN SUBSIDIARIES – COMPANY

	2009 RMB'000	2008 RMB'000
Investment in subsidiaries	**113,014**	113,014
Amounts due from subsidiaries	**612,745**	615,960
	725,759	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.

The Company's interests in certain subsidiaries are pledged as securities for the Company's issued fixed rate senior notes as shown in note 29.

As at 31 December 2009, the particulars of the principal subsidiaries in which the Company has direct or indirect interests are set out as follows:

Name	**Country/Place of incorporation/ establishment and type of legal entity**	**Particulars of issued and fully paid share capital /registered capital**	**Effective Interest held by the Company**	**Principal activities**
Interests held directly				
Rich Light International Limited	Incorporated in the BVI, limited liability company	U.S. dollars ("USD") 100	100%	Investment holding
Interests held indirectly				
Top Promise Resources Limited ("Top Promise")	Incorporated in Hong Kong, limited liability company	HKD1	100%	Investment holding
Sichuan Chuanmei Mirabilite Co., Ltd. 四川省川眉芒硝有限責任公司	Established in the PRC, foreign investment enterprise	RMB142,077,000	100%	Processing and sale of powder thenardite and medical thenardite
Sichuan Chuanmei Special Glauber Salt Co., Ltd. 四川川眉特種芒硝有限公司	Established in the PRC, wholly foreign-owned enterprise	USD75,000,000	100%	Processing and sale of powder thenardite and specialty thenardite

22. INVENTORIES – GROUP

	2009 RMB'000	2008 RMB'000
Raw materials	**8,913**	5,394
Finished goods	**4,647**	2,876
	13,560	8,270

23. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Trade receivables	**361,015**	137,478	**–**	–
Less: provision for impairment	**(9,146)**	(9,146)	**–**	–
Trade receivables, net	**351,869**	128,332	**–**	–
Other receivables	**103,379**	63,565	**67,659**	–
Bills receivables	**80**	80	**–**	–
Deposits and prepayments	**60,010**	65,784	**243**	6,885
Amounts due from related parties*	**–**	537	**–**	–
	515,338	258,298	**67,902**	6,885

* The balances due from related parties were unsecured, interest-free and fully settled during the year.

Trade receivables are non-interest bearing. Credit terms normally granted to the trade customers ranged from 45 days to 100 days depending on the customers' relationship with the Group, its creditworthiness and settlement record.

23. TRADE AND OTHER RECEIVABLES *(Continued)*

Ageing analysis of trade receivables, net of impairment provision, is as follows:

	2009 **RMB'000**	2008 RMB'000
Outstanding balances with ages:		
– 90 days or below	**334,483**	115,465
– 91 - 180 days	**11,945**	8,675
– 181 - 365 days	**251**	3,789
– Over 365 days	**5,190**	403
	351,869	128,332

At each reporting date, the Group's trade receivables are individually determined for impairment testing. The individually impaired receivables, if any, are recognised based on the credit history of the customers, such as financial difficulties and default in payments, and current market conditions.

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 provision for impairment is as follows:

	2009 **RMB'000**	2008 RMB'000
At 1 January and 31 December	**9,146**	9,146

Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed.

The individually impaired receivables mainly relate to management assessment that the entire amount of the receivable balances is unlikely to be recovered. The Group did not hold any collateral as security or other credit enhancements over the impaired receivables. The ageing analysis of trade receivables which were impaired and were provided for as at 31 December 2009 is as follows:

	2009 **RMB'000**	2008 RMB'000
Over 365 days	**9,146**	9,146

23. TRADE AND OTHER RECEIVABLES *(Continued)*

The ageing analysis of trade receivables that are past due as at the reporting date but are not considered impaired based on due date is as follows:

	2009 **RMB'000**	2008 RMB'000
– 1 – 90 days past due	**11,945**	–
– 91 – 180 days past due	**9**	–
– 181 – 365 days past due	**242**	3,789
– Over 365 days past due	**5,190**	403
	17,386	4,192

As at 31 December 2009, trade receivables of RMB334,483,000 (2008: RMB124,140,000) that were neither past due nor impaired 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. The Group does not hold any collateral over these balances.

The directors of the Group consider that the fair values of trade and other receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

24. LOANS TO SUBSIDIARIES – COMPANY

	2009 **RMB'000**	2008 RMB'000
Loans to subsidiaries	**1,190,843**	–

The loans to subsidiaries are unsecured, interest-free and repayable on demand. The directors considered that the carrying amounts of the balances approximate to their fair values.

25. PLEDGED BANK DEPOSITS

As at 31 December 2009, pledged bank deposits were denominated in the following currencies:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
– HKD (note)	**–**	39	**–**	–
– USD (note)	**170,646**	32,355	**170,646**	32,355
	170,646	32,394	**170,646**	32,355

Notes:

Certain bank deposits of the Company have been pledged to secure RMB bank loan (note 28(i)) as at 31 December 2009. The effective interest rate per annum on the pledged bank deposits of the Company was 0.92%. It will be released upon the settlement of relevant bank borrowing.

Certain bank balances of Top Promise and the Company pledged to secure the USD bank loan had been released upon the settlement of relevant borrowing on 7 August 2009. The effective interest rate per annum on the pledged bank deposits of Top Promise and the Company were nil and 2.98% respectively.

The directors considered that the carrying amounts of pledged bank deposits approximate to their fair values.

26. CASH AND CASH EQUIVALENTS

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and in hand	**572,842**	925	**133,431**	59
Short-term bank deposits	**527,271**	32,296	**202,271**	32,296
Less: Pledged bank deposits	**(170,646)**	(32,394)	**(170,646)**	(32,355)
Cash and cash equivalents as stated in the statement of financial position	**929,467**	827	**165,056**	–

Cash deposited with banks bear interest at effective interest rates ranging from 0.01% to 1.7% (2008: 0.01% to 1.7%) per annum during the year ended 31 December 2009.

The directors considered that the carrying amounts of cash and cash equivalents approximate to their fair values.

The Group had cash and bank balances denominated in RMB amounting to approximately RMB366,310,000 (2008: RMB603,000) as at 31 December 2009, which were deposited with banks in the PRC. 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.

27. TRADE AND OTHER PAYABLES

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables	**39,289**	45,543	**–**	–
Other payables	**157,996**	172,202	**99,944**	94,823
Receipt in advance	**28,712**	29,840	**–**	–
Consideration payable on acquisition of minority interests (note 35)	**79,200**	–	**–**	–
Amount due to a director*	**–**	112,359	**–**	30,057
Amount due to a related party*	**–**	815	**–**	–
Amounts due to shareholders*	**–**	36	**–**	36
	305,197	360,795	**99,944**	124,916

* The balances due to the related parties were unsecured, interest-free and wholly repaid during the year.

Ageing analysis of trade payables is as follows:

	2009	2008
	RMB'000	RMB'000
Outstanding balances with ages:		
– 90 days or below	**29,848**	26,638
– 91 - 180 days	**2,045**	5,064
– 181 - 365 days	**1,019**	2,921
– Over 365 days	**6,377**	10,920
	39,289	45,543

The directors considered that the carrying amounts of trade and other payables approximate to their fair values.

28. BANK BORROWINGS

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Secured	**356,500**	682,565	**–**	593,065

As 31 December 2009, the Group's bank borrowings are secured and were repayable as follows:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current				
Within one year	**236,500**	258,947	**–**	169,447
Non-current				
In the second year	**120,000**	169,447	**–**	169,447
In the third to fifth years	**–**	254,171	**–**	254,171
	120,000	423,618	**–**	423,618
	356,500	682,565	**–**	593,065

The carrying amounts of bank borrowings by currencies are as follows:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**356,500**	89,500	**–**	–
USD	**–**	593,065	**–**	593,065
	356,500	682,565	**–**	593,065

28. BANK BORROWINGS *(Continued)*

The exposure of bank borrowings to interest rate changes are as follows:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
– at fixed rates (note (i))	**200,000**	89,500	**–**	–
– at floating rates (note (ii))	**156,500**	593,065	**–**	593,065
	356,500	682,565	**–**	593,065

Notes:

(i) The RMB bank loans were arranged at fixed interest rates of 5.05% to 5.09% (2008: 5.58% to 7.47%) per annum as at 31 December 2009.

The secured RMB bank loans are collateralised by pledging of certain buildings, machinery and equipment and other assets of the Group as set out in note 30.

(ii) The RMB bank loans were arranged at floating rate of 5.31% to 5.51% per annum as at 31 December 2009. The USD bank loan was wholly repaid during the year. It was arranged at floating rate of approximately 6% as at 31 December 2008.

The carrying amounts of bank borrowings approximate to their fair value.

29. FIXED RATE SENIOR NOTES – GROUP AND COMPANY

On 27 October 2009, the Company issued USD250,000,000 (equivalent to approximately RMB1,706,458,000) of 12% fixed rate senior notes (the "Notes"), which matures on 27 October 2014 for bullet repayment. The Notes bear interest from 27 October 2009 and are payable semi-annually in arrears on 27 October and 27 April of each year, commencing on 27 April 2010 (each, an "Interest Payment Date"). The Notes are listed on the Singapore Exchange Securities Trading Limited.

The Notes are direct, unsubordinated and unconditional obligations of the Company, and are guaranteed by certain subsidiaries of the Company on a senior basis, subject to certain limitations.

At any time prior to 27 October 2012, the Company may at its option redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principle amount of the Notes, plus the applicable premium as of, and accrued and unpaid interest, if any, to the redemption date. In addition, at any time prior to 27 October 2012, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 112% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to the redemption date.

29. FIXED RATE SENIOR NOTES – GROUP AND COMPANY *(Continued)*

At any time on or after 27 October 2012, the Company may redeem the Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below, plus accrued and unpaid interest, if any, to the redemption date, if redeemed during the 12-month period commencing on 27 October of any year set forth below:

Period	**Redemption price**
2012	106%
2013	103%

The Company gives not less than 30 days' nor more than 60 days' notice of any redemption.

The early redemption option of the Notes is regarded as an embedded derivative not closely related to the host contract (the Notes). It shall be separately accounted for as a financial instrument at fair value through profit or loss. The directors consider that the fair value of the early redemption option was insignificant on initial recognition and as at the reporting date.

The Notes recognised in the statement of financial position are calculated as follows:

	2009 **RMB'000**	2008 RMB'000
Carrying amount as at 1 January	**–**	–
Issue of the Notes	**1,614,319**	–
Amortisation of the Notes (note 8)	**2,438**	–
Exchange difference	**(2)**	–
Carrying amount as at 31 December	**1,616,755**	–
Fair value of the Notes as at 31 December*	**1,450,490**	–

* The fair value was determined by reference to the closing price of the Notes published by a leading global financial market data provider as at that date.

The effective interest rate of the Notes is 13.52% per annum.

30. PLEDGE OF ASSETS

At 31 December 2009, 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 reporting date are as follows:

	Group		**Company**	
	2009 **RMB'000**	2008 RMB'000	**2009** **RMB'000**	2008 RMB'000
Buildings and mining structures (note 15)	**31,711**	71,795	**–**	–
Machinery and equipment (note 15)	**289,434**	30,110	**–**	–
Land use rights (note 16)	**–**	23,789	**–**	–
Mining rights (note 18)	**48,833**	–	**–**	–
Bank deposits (note 25)	**170,646**	32,394	**170,646**	32,355
	540,624	158,088	**170,646**	32,355

31. DEFERRED TAX LIABILITY – GROUP

The movement in the deferred tax liabilities during the year is as follows:

	Withholding tax RMB'000
At 1 January 2009	–
Deferred tax charged to the income statement during the year (note 10)	30,616
At 31 December 2009	30,616

As at 31 December 2009, deferred tax liability was recognised for withholding tax that would be payable on the unremitted earnings for the period from 1 January 2009 to 31 December 2009 that are subject to withholding tax arising from Chuanmei Mirabilite and Chuanmei Glauber Salt. In the opinion of the directors, it is probable that these subsidiaries will distribute such earnings in the foreseeable future. The temporary difference associated with investment in these subsidiaries for which deferred tax liability has been recognised totalled approximately RMB30,616,000.

However, deferred tax liability of approximately RMB25,021,000 (2008: RMB25,021,000) have not been established for the withholding and other taxation that would be payable on the unremitted earnings amounted to approximately RMB500,425,000 for the period from 1 January 2008 to 31 December 2008 of Chuanmei Mirabilite and Chuanmei Glauber Salt, as such amount are reinvested; according to the PRC audited accounts of these subsidiaries.

32. SHARE CAPITAL

	Par Value	Number of ordinary shares	Nominal value	
	USD		USD	RMB'000
Authorised:				
At the 1 January 2008 (note (i))	0.1	500,000	50,000	385
Subdivision of shares (note (ii))	–	4,999,500,000	–	–
At 31 December 2008, 1 January 2009 and **31 December 2009**	**0.00001**	**5,000,000,000**	**50,000**	**385**
Issued and fully paid:				
At the 1 January 2008 (note (i))	0.1	100,000	10,000	77
Subdivision of shares (note (ii))	–	999,900,000	–	–
Issue of new shares (note (iii))	0.00001	520,000,000	5,200	36
At 31 December 2008	0.00001	1,520,000,000	15,200	113
Issue of new shares in connection with the listing (note (iv))	0.00001	404,000,000	4,040	28
Exercise of share options – proceeds from shares issued	0.00001	26,657,500	267	2
At 31 December 2009	**0.00001**	**1,950,657,500**	**19,507**	**143**

32. SHARE CAPITAL *(Continued)*

Notes:

(i) The Company was incorporated on 12 April 2007 with an authorised share capital of USD50,000 divided into 500,000 shares, each with par value of USD0.1. Upon incorporation, a share held by the subscriber was transferred to a shareholder. On the same date, 99,999 shares each were issued and allotted at par value of USD0.1 each.

(ii) Pursuant to the written resolution of the shareholders of the Company passed on 25 April 2008, every issued and unissued ordinary shares of USD0.1 each of the Company was subdivided into 10,000 ordinary shares of USD0.00001 each (the "Shares Subdivision"). The Shares Subdivision became effective on the same date. As a result of the Shares Subdivision, the authorised share capital of the Company has become USD50,000 divided into 5,000,000,000 ordinary shares of USD0.00001 each and the issued share capital immediately prior to the Shares Subdivision of USD10,000 divided into 100,000 ordinary shares of USD0.1 each has become USD10,000 divided into 1,000,000,000 ordinary shares of USD0.00001 each.

(iii) On 25 April 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 USD0.00001 each to the then shareholders of the Company proportional to their then shareholdings, by the capitalisation of the sum of USD5,200 (equivalent to RMB36,338) from the share premium account. Such allotment and capitalisation 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.

(iv) On 16 June 2009, 404,000,000 new shares of USD0.00001 each of the Company were issued to the public by global offering at HKD2.00 (equivalent to RMB1.76) each. The gross proceeds received from the issue of 404,000,000 new shares amount to approximately HKD808,000,000 (equivalent to RMB712,656,000). Part of the proceeds amounting to approximately RMB28,000 was recorded as share capital, the remaining proceeds of approximately RMB712,628,000 was recorded in the share premium accounts. The shares of the Company were listed on the Stock Exchange on 16 June 2009.

33. RESERVES

(a) Company

Details of the Company's reserve are as follows:

	Share premium RMB'000	Employee share-based compensation reserve RMB'000	Capital contribution RMB'000	Translation reserve RMB'000	Contributed surplus* RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2008	27,872	–	103,539	(658)	85,142	(59,303)	156,592
Issue of new shares upon capitalisation issue (note 32(iii))	(36)	–	–	–	–	–	(36)
Recognition of share-based payments	–	13,800	–	–	–	–	13,800
Transactions with owners	(36)	13,800	–	–	–	–	13,764
Loss for the year	–	–	–	–	–	(120,935)	(120,935)
Exchange gain on translation of financial statements of foreign operations	–	–	–	699	–	–	699
At 31 December 2008 and 1 January 2009	27,836	13,800	103,539	41	85,142	(180,238)	50,120
Issue of new shares arising from listing (note 32(iv))	712,628	–	–	–	–	–	712,628
Expenses of share issues	(114,987)	–	–	–	–	–	(114,987)
Exercise of share options	59,147	(12,160)	–	–	–	–	46,987
Recognition of share-based payments	–	37,965	–	–	–	–	37,965
Transactions with owners	656,788	25,805	–	–	–	–	682,593
Loss for the year	–	–	–	–	–	(128,497)	(128,497)
Exchange loss on translation of financial statements of foreign operations	–	–	–	(852)	–	–	(852)
Lapse of share options	–	(6,164)	–	–	–	6,164	–
At 31 December 2009	**684,624**	**33,441**	**103,539**	**(811)**	**85,142**	**(302,571)**	**603,364**

* 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 for the Group reorganisation.

33. RESERVES *(Continued)*

(b) Group

Details of the movements on the Group's reserves are as set out in the consolidated statement of changes in equity.

Employee share-based compensation reserve

Employee share-based compensation reserve is comprised of the fair value of the actual or estimated number of unvested share options granted to employees of the Group recognised in accordance with the accounting policy adopted for share-based employee compensation set out in note 2.24.

General reserve

General reserve represents the difference between the net assets acquired by the Group and the consideration paid for the acquisition of additional interest in a subsidiary as described in note 35.

Capital contribution

On 23 June 2007, the Company entered into a facility agreement with Credit Suisse, Singapore Branch and Credit Suisse International to borrow an US Dollar bank loan. At the same date, the Company and its shareholders are required to enter into another agreement in respect of an instrument constituting warrants to purchase shares in the Company for the provision of the facility. The warrants were issued by a shareholder of the Company to Credit Suisse, Singapore Branch and Credit Suisse International, the warrant holders, with a right to purchase a specified amount of the Company's shares within a specific period. Due to the fact that the facility arrangements were specially for the purpose of capital injection in Chuanmei Glauber Salt and the acquisition of mines, and these facility arrangements were secured by the warrants and guarantees provided by shareholders, accordingly, 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 a shareholder as well as the guarantees provided by the shareholders of the Company.

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.

34. SHARE-BASED EMPLOYEE COMPENSATION

(i) Pre-IPO share option scheme

Pursuant to a written resolution approved by the Company's shareholders on 30 April 2008, the Pre-IPO Share Option Scheme became effective. Certain executive directors, senior managerial staff and employees of the Group were granted options to recognise their contributions 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 capitalisation issue at the offer price. The options vested on 16 June 2009, the date on which the shares of the Company were 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 since the Listing Date. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

Pre-IPO share options and weighted average exercise price are as follows for the reporting periods presented:

	2009		2008	
	Number	**Weighted average exercise price HKD**	Number	Weighted average exercise price HKD
Outstanding at 1 January	**76,000,000**	**2**	–	–
Granted	**–**	**–**	76,000,000	2
Forfeited	**(341,000)**	**2**	–	–
Exercised	**(26,657,500)**	**2**	–	–
Expired	**–**	**–**	–	–
Outstanding at 31 December	**49,001,500**	**2**	76,000,000	2
Exercisable at 31 December	**11,342,500**	**2**	–	–

The Group would receive HKD1.00 for each grant under the Pre-IPO Share Option Scheme.

The weighted average share price for share options exercised during the year at the date of exercise was HKD3.39.

The options outstanding at 31 December 2009 had exercise prices of HKD2.00 (2008 : HKD2.00) and a weighted average remaining contractual life of 6.46 years (2008: 7.46 years).

34. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

(i) Pre-IPO share option scheme *(Continued)*

The fair value of the options is determined using the Binomial Option Pricing Model that takes into account factors specific to the share incentive plans. The following principal assumptions were used in the valuation:

Expected volatility*	47.88%
Risk-free interest rate	2.544%
Dividend yield	3.93%
Expected life of option	7 years
Fair value at grant date	HKD0.51 – HKD0.59
Exercise price at the date of grant	HKD1.659

* 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 HKD41,099,000 in aggregate, of which the Group recognised HKD15,452,000 (RMB13,618,000) (2008: HKD15,512,000 (RMB13,800,000)) as share option expense in the consolidated statement of comprehensive income for the year ended 31 December 2009. The corresponding amount has been credited to the share option reserve. No liabilities were recognised as those are equity settled share-based payments transactions.

(ii) Share option scheme

In order to comply with the Listing Rules of Main Board regarding share option scheme of a Company, a share option scheme (the "Share Option Scheme") was adopted by the Company on 26 May 2009.

The Company operates the Share Option Scheme for the purpose of providing incentives and rewards to eligible participants who work for the interest of the Group. Eligible participants of the Share Option Scheme include executive directors, non-executive directors, employees, consultants, advisers and other service providers. The Share Option Scheme became effective on 26 May 2009 and, unless otherwise cancelled or amended will remain in force for 10 years from that date.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange at the date of the grant) in excess of HKD5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The exercise price of the share options must be at least the highest of (i) the nominal value of an ordinary share on the date of grant; (ii) the closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange on the date of the offer of the share options; and (iii) the average closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange for the five trading days immediately preceding the date of the offer.

The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

The share options vest upon the commencement of the exercise period which is determined by the Board at the date of grant. The grantees are entitled to exercise the share options upon fulfilment of all requirements set out in the Share Option Scheme.

34. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

(ii) Share option scheme *(Continued)*

Share options and weighted average exercise price at the reporting date are as follows:

	2009	
	Number	**Weighted average exercise price** HKD
Outstanding at 1 January	–	–
Granted	103,200,000	3.59
Forfeited	(1,000,000)	3.59
Exercised	–	–
Expired	(51,600,000)	3.59
Outstanding at 31 December	50,600,000	3.59
Exercisable at 31 December	–	3.59

The options outstanding at 31 December 2009 had exercise prices of HKD3.59 and a weighted average remaining contractual life of 1.50 years.

On 28 July 2009, the Company granted 103,200,000 share options to certain of its directors and employees for HKD1.00 consideration for each grant at an exercise price of HKD3.59 per share. The share options granted pursuant to the Share Option Scheme will be exercisable during three respective periods commencing from 2 October 2009, 1 January 2010 and 1 January 2011 and expiring on 31 December 2009, 31 December 2010 and 31 December 2011 respectively.

No option was exercised during the period between the grant date and year ended 31 December 2009.

The fair values of options granted were determined using the Binomial Option Pricing Model that takes into account factors specific to the share incentive plans. The following principal assumptions were used in the valuation:

Share price at date of grant	HKD3.59
Expected volatility*	23.91% - 68.75%
Risk-free interest rate	0.06% - 0.61%
Dividend yield	15%
Expected life of option	0.25 - 2.25 years
Fair value at grant date	HKD0.14 - HKD0.70
Exercise price at the date of grant	HKD3.59

* The underlying expected volatility was determined by reference to historical data, calculated based on expected life of share options. Expectations of early exercise were incorporated into the Binomial Option Pricing Model. No special features pertinent to the options granted were incorporated into measurement of fair value.

The fair value of the options granted is approximately HKD40,713,000 in aggregate, of which the Group recognised HKD27,625,000 (RMB24,347,000) as share option expense in the consolidated statement of comprehensive income for the year ended 31 December 2009. The corresponding amount has been credited to the share option reserve. No liabilities were recognised as those are equity settled share-based payments transactions.

35. ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

On 19 August 2009, Top Promise, an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Sichuan First Silk Printing & Dyeing Co., Ltd. ("Sichuan First"), a 10% equity holder of Chuanmei Mirabilite, pursuant to which the Top Promise agreed to acquire and Sichuan First agreed to dispose of 10% equity interest in Chuanmei Mirabilite for a consideration of RMB264 million. Upon the completion of the acquisition of this further 10% interest in Chuanmei Mirabilite ("MI Acquisition"), the Group is entitled to 100% interest in Chuanmei Mirabilite.

Further information about the MI Acquisition is as follows:

	RMB'000
Consideration	264,000
Less: net assets acquired	52,181
Excess of the carrying values of net assets acquired over the consideration	211,819
To be satisfied by:	
Cash	264,000

The excess of the consideration paid of RMB264,000,000 over the carrying values of the underlying assets and liabilities attributable to the additional interests in Chuanmei Mirabilite is recognised directly in equity.

Among the total cost of investment of RMB264,000,000, RMB79,200,000 remain outstanding as at 31 December 2009 and is included in note 27 to the financial statements.

36. OPERATING LEASE COMMITMENTS

At the reporting date, the total future minimum lease payments payable by the Group under non-cancellable operating leases are as follows:

	2009 RMB'000	2008 RMB'000
Within one year	**3,597**	2,358
In the second to fifth years	**200**	2,304
	3,797	4,662

The Group leases a number of properties under operating leases. The leases run for an initial period of 2 to 3 years, with an option to renew the lease and renegotiate the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords/lessors. None of the leases include contingent rentals.

The Company had no operating lease commitments as at 31 December 2009 (2008: Nil).

37. CAPITAL COMMITMENTS

At the reporting date, the Group had the following capital commitments:

	2009 **RMB'000**	2008 RMB'000
Contracted, but not provided for :		
– additions to property, plant and equipment	**305,932**	304,817
– acquisition of land use right	**4,786**	4,786
	310,718	309,603

Company

The Company does not have any significant capital commitments.

38. RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere in these financial statements, the Group and the Company have the following related party transactions during the year :

Key management personnel remuneration

Key management of the Group are members of the board of directors, as well as the senior management of the Group. Key management personnel remuneration includes the following expenses:

	2009 **RMB'000**	2008 RMB'000
Salaries, allowances and other short-term employee benefits	**9,761**	8,321
Equity-settled share-based payment expenses	**16,583**	5,773
Contribution to pension plans	**120**	107
	26,464	14,201

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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 and interest rate risk), credit risk and liquidity risk. The Group's overall risk management focuses on unpredictability of financial markets and seeks to minimise 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. The Group has not used any derivatives or other instruments for hedging purposes and has not hold or issue derivative financial instruments for trading purposes. The most significant risks to which the Group is exposed to are described below.

(i) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. Except for bank deposits which are interest bearing (notes 25 and 26), 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 primarily from bank borrowings. Bank borrowings obtained at variable rates and fixed rates expose the Group to cash flow interest-rate risk and fair value interestrate risk respectively.

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.

The Group is exposed to changes in market interest rates on its bank borrowings, which are at variable rates.

As at 31 December 2009, approximately 44% of the bank borrowings bore interest at floating rates (2008: approximately 87%). The interest rate and terms of repayment of bank borrowings are disclosed in note 28 above. 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.

The policies to manage interest rate risk have been followed by the Group since prior year are considered to be effective.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(i) Interest rate risk *(Continued)*

Sensitivity analysis

The following table illustrates the sensitivity of the Group's profit for the year and equity to a possible change in interest rates of +/- 1.5% (2008: +/- 1.5%), with effect from the beginning of the year. This sensitivity analysis is provided internally to key management personnel.

	Group Profit for the year and retained earnings	
	RMB'000	RMB'000
Change in interest rate	**+1.5%**	-1.5%
31 December 2009	**(2,348)**	2,348
31 December 2008	**(11,646)**	11,646

The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rate over the next twelve month period. There is no impact on other components of consolidated equity in response to the possible change in interest rates.

The calculations are based on a change in average market interest rates for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant. The sensitivity analysis included in the financial statements of the year ended 31 December 2008 has been prepared on the same basis.

The Company's other borrowing is at fixed interest rates. The Company therefore does not have any exposure to interest rate risk at the reporting date.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(ii) Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group mainly operates in the PRC. The functional currency of the Company and its subsidiaries are mainly HKD and RMB respectively with certain of their business transactions being settled in USD. Further the Group has borrowings denominated in USD. 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.

Summary of exposure

The overall net exposure in respect of the carrying amount of the Group's and the Company's foreign currency denominated financial assets and liabilities in net position as at 31 December 2009 and 2008 were as follows:

	Group		**Company**	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Net financial liabilities				
USD	**1,165,112**	560,710	**1,510,132**	560,710

In respect of those Group entities with HKD as functional currency, as HKD is linked to USD, the Group does not have material exchange risk on such currency. The following table illustrates the sensitivity of the Company's and Group's profit after tax for the year and equity in regards to a 10% (2008: 10%) appreciation in RMB against USD. These rates are the rates used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates.

The sensitivity analysis of the Group's exposure to foreign currency risk at the reporting date has been determined based on the assumed percentage changes in foreign currency exchange rates taking place at the beginning of the financial year and held constant throughout the year. There is no impact on other components of equity in response to the general fluctuation in the following foreign currency rate.

	Group		**Company**	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Profit for the year and retained earnings	**(25,603)**	56,071	**–**	56,071

These are the same method and assumption used in preparing the sensitivity analysis included in the financial statements of the year ended 31 December 2008.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(iii) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations.

The Group's maximum exposure to credit risk on recognised financial assets is limited to the carrying amount at the reporting date as summarised below:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Classess of financial assets – carrying amount				
Trade and other receivables	**455,328**	192,514	**67,659**	–
Loans to subsidiaries	**–**	–	**1,190,843**	–
Cash and bank balances	**929,467**	827	**165,056**	–
Pldeged bank deposits	**170,646**	32,394	**170,646**	32,355
	1,555,441	225,735	**1,594,204**	32,355

The credit risk on pledged bank deposits and cash and cash equivalents is limited because the counterparties are banks with high credit-ratings.

The Group trades only with recognised, 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, 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.

None of the financial assets of the Group and the Company are secured by collateral or other credit enhancements.

In order to minimise 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 reporting date to ensure that adequate impairment losses are made for irrecoverable amounts.

See note 23 to these financial statements for further details of the Group's exposures to credit risk on trade and other receivables.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(iv) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

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 31 December 2009					
Borrowings	356,500	373,850	250,376	123,474	–
Fixed rate senior notes	1,616,755	2,730,333	204,775	204,775	2,320,783
Trade and other payables	276,485	276,485	276,485	–	–
As at 31 December 2008					
Borrowings	682,565	803,739	317,568	206,979	279,192
Trade and other payables	330,955	330,955	330,955	–	–

(v) Fair value

The fair values of the Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The fair value of long-term bank borrowings was not disclosed because the carrying value is not materially different from the fair value.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(vi) Summary of financial assets and liabilities by category

The carrying amount of the Group's financial assets and liabilities as recognised at the respective reporting dates may also be categorised as follows:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Loans and receivables				
– Trade and other receivables	**455,328**	192,514	**67,659**	–
– Loans to subsidiaries	**–**	–	**1,190,843**	–
Cash and cash equivalents	**929,467**	827	**165,056**	–
Pledged bank deposits	**170,646**	32,394	**170,646**	32,355
	1,555,441	225,735	**1,594,204**	32,355
Financial liabilities				
At amortised cost				
– Trade and other payables	**276,485**	218,560	**99,944**	94,823
– Amount due to a director	**–**	112,359	**–**	30,057
– Amounts due to shareholders	**–**	36	**–**	36
– Bank borrowings	**356,500**	682,565	**–**	593,065
– Fixed rate senior notes	**1,616,755**	–	**1,616,755**	–
	2,249,740	1,013,520	**1,716,699**	717,981

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(vii) 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 capital using a gearing ratio, which is total debts divided by total capital. Total debts are calculated as the sum of bank borrowings, trade and other payables as shown in the consolidated statement of financial position. The Group aims to maintain the gearing ratio at a reasonable level.

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank borrowings	**356,500**	682,565	**–**	593,065
Fixed rate senior notes	**1,616,755**	–	**1,616,755**	–
Trade and other payables	**305,197**	360,795	**99,944**	124,916
Less: Pledged bank deposits	**(170,646)**	(32,394)	**(170,646)**	(32,355)
Cash and cash equivalents	**(929,467)**	(827)	**(165,056)**	–
Net debts	**1,178,339**	1,010,139	**1,380,997**	685,626
Equity	**1,788,242**	825,542	**603,507**	50,233
Total debts to equity ratio	**0.66**	1.22	**2.29**	13.65

FOUR YEAR FINANCIAL SUMMARY

	Year ended 31 December			
	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Results				
Revenue	**1,344,032**	1,140,354	371,530	204,755
Cost of sales	**(364,427)**	(343,794)	(151,295)	(112,430)
Gross profit	**979,605**	796,560	220,235	92,325
Gross profit margin	**72.89%**	69.85%	59.28%	45.09%
Operating profit	**877,379**	712,383	149,424	57,949
Financial cost	**(105,913)**	(98,800)	(34,521)	(7,079)
Profit before income tax	**771,466**	613,583	114,903	50,870
Income tax expense	**(226,561)**	(171,503)	(25,901)	(1,616)
Profit for the year	**544,905**	442,080	89,002	49,254
Profit attributable to:				
Owners of the Company	**532,966**	429,739	78,950	44,029
Minority interests	**11,939**	12,341	10,052	5,225
	544,905	442,080	89,002	49,254
Earnings per share (RMB cent) – Basic	**30.49**	28.27	5.19	2.90
Earnings per share (RMB cent) – Diluted	**30.17**	NA	NA	NA
Assets, liabilities and minority interests				
Total assets	**4,113,299**	1,903,897	1,314,031	283,848
Total liabilities	**(2,325,057)**	(1,078,355)	(985,161)	(169,855)
Minority interests	**–**	(40,242)	(27,901)	(17,849)

FOUR YEAR FINANCIAL SUMMARY

	Year ended 31 December			
	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Other Financial Data				
EBITDA [(1)]	**931,445**	757,821	159,346	68,662
EBITDA Margin [(2)]	**69.3**	66.5	42.9	33.5
Adjusted EBITDA [(3)]	**969,410**	771,621	159,346	68,662
Adjusted EBITDA margin [(4)]	**72.1**	67.7	42.9	33.5

(1) Represents profit for the year before interest income, interest expense, income tax expense, depreciation and amortization. EBITDA and the related ratios in this report are supplemental measures of our performance and liquidity and are not required by, or represented in accordance with, IFRS. Furthermore, EBITDA is not a measure of our financial performance or liquidity under IFRS and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating activities or as a measure of our liquidity. Other companies may calculate EBITDA differently than us, limiting its usefulness as a comparative measure.

(2) Represents EBITDA as a percentage of revenue.

(3) Represents profit for the year before interest income, interest expense, income tax expense, depreciation and amortization and share-based payments. Adjusted EBITDA and the related ratios in this report are supplemental measures of our performance and liquidity and are not required by, or represented in accordance with, IFRS. Furthermore, adjusted EBITDA is not a measure of our financial performance or liquidity under IFRS and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating activities or as a measure of our liquidity. Other companies may calculate adjusted EBITDA differently than us, limiting its usefulness as a comparative measure.

(4) Represents adjusted EBITDA as a percentage of revenue.