



Lumena

LUMENA RESOURCES CORP.
旭光資源有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 67



Interim Report

2010

CONTENTS

Corporate Information	2
Financial Highlights	4
Management Discussion and Analysis	
– Financial Review	5
– Market Review	6
– Business Review	7
– Operation Review	8
– Future Prospect	9
– Employees and remuneration policies	10
Other Information	11
Independent Review Report on Condensed Consolidated Interim Financial Statements	20
Condensed Consolidated Statement of Comprehensive Income	21
Condensed Consolidated Statement of Financial Position	23
Condensed Consolidated Statement of Changes in Equity	25
Condensed Consolidated Statement of Cash Flows	26
Notes to Condensed Consolidated Interim Financial Statements	27

CORPORATE INFORMATION

Board (the "Board") of directors (the "Directors")

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 (*resigned with effect from 31 July 2010*)

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 (*resigned with effect from 1 May 2010*)

Mr. Wong Kui Tong (*appointed with effect from 1 May 2010*)

Legal Advisers

as to Hong Kong law:

Li & Partners

Independent Auditor

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

Members of the Audit Committee

Mr. Patrick Logan Keen (*resigned as the Chairman and a member with effect from 31 July 2010*)

Mr. Koh Tiong Lu John (*appointed as the Chairman with effect from 31 July 2010*)

Mr. Wong Chun Keung

Mr. Gao Zongze (*appointed as a member with effect from 31 July 2010*)

Mr. Xia Lichuan (*appointed as a member with effect from 31 July 2010*)

Members of the Remuneration Committee

Mr. Wong Chun Keung (*Chairman*)

Mr. Patrick Logan Keen (*resigned as a member with effect from 31 July 2010*)

Mr. Suo Lang Duo Ji

Mr. Gao Zongze (*appointed as a member with effect from 1 May 2010*)

Mr. Xia Lichuan (*appointed as a member with effect from 1 May 2010*)

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

Headquarters and Principal Place of Business in Hong Kong

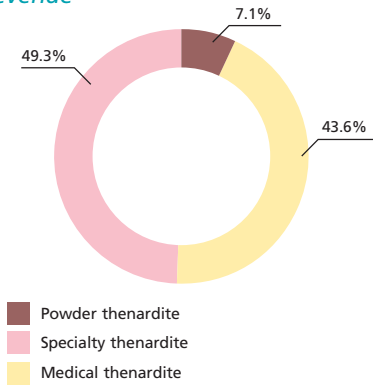
Suite 2801, Shui On Centre,
6-8 Harbour Road
Wanchai, Hong Kong

Website

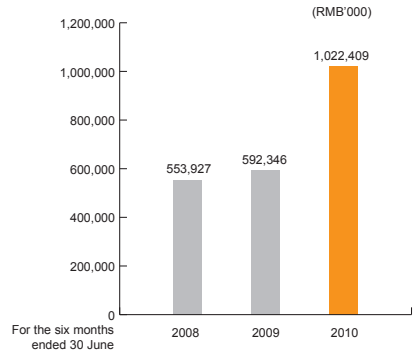
www.lumena.hk

FINANCIAL HIGHLIGHTS

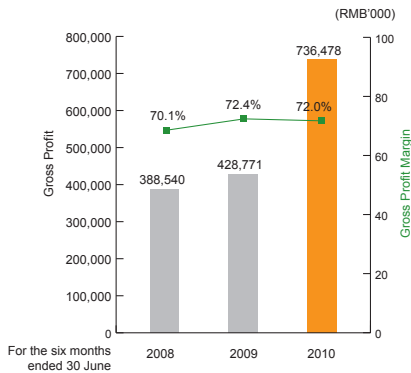
Revenue



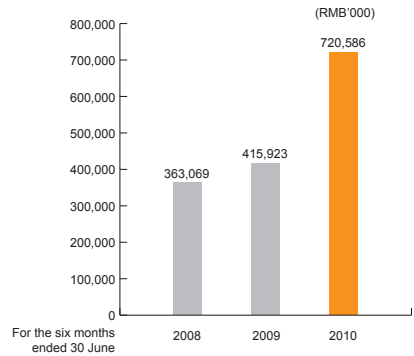
for the six months ended 30 June 2010



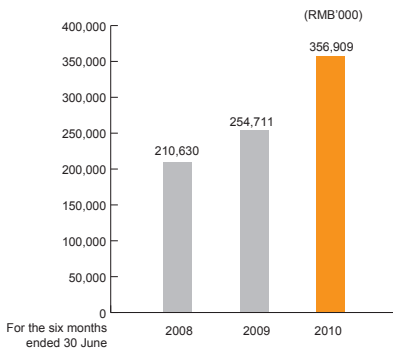
Gross profit



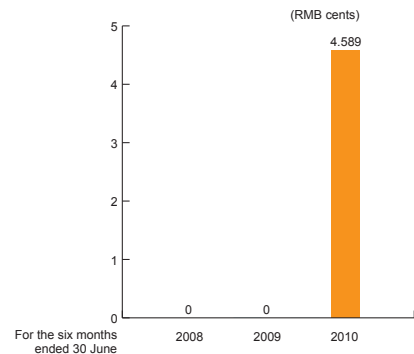
EBITDA



Profit for the period attributable to owners of the company



Dividends



Interim dividend of HK5.2 cents per share
(equivalent to approximately RMB4.589 cents per share)

MANAGEMENT DISCUSSION AND ANALYSIS

The Board (the "Board") of directors (the "Directors" and each a "Director") of Lumena Resources Corp. (the "Company", together with its subsidiaries, the "Group", "we" or "us") would like to present the unaudited consolidated results of the Group for the six-month period ended 30 June 2010, along with the unaudited comparative figures and selected explanatory notes, which are prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board, and which have been reviewed by the audit committee (the "Audit Committee") of the Company.

Financial Review

Income

For the six months ended 30 June 2010, our revenue increased to approximately RMB1,022.4 million (six months ended 30 June 2009: RMB592.3 million), representing an increase of approximately 72.6% as compared to the same period in the previous year.

The increase in our revenue was attributable to the commencement of commercial operation of our new medical thenardite production facility in the Muma Mining Area with a capacity of 200,000 tonnes per annum ("tpa") in January 2010, and 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 during the first half of 2010.

Gross profit and gross profit margin

We recorded a gross profit of RMB736.5 million for the six months ended 30 June 2010 (six months ended 30 June 2009: RMB428.8 million), representing an increase of approximately 71.8% as compared to the previous year. The increase in our gross profit was mainly attributable to the increase in the sales of our high end products, namely specialty thenardite and in particular medical thenardite.

Our overall gross profit margin was 72.0% for the six months ended 30 June 2010 (six months ended 30 June 2009: 72.4%), representing a decrease of approximately 0.4% as compared to the same period in the previous year. The high level of our overall gross profit margin was mainly attributable to the increased sales revenue of specialty thenardite and medical thenardite during the year. The decrease in our overall gross profit margin was due to the increases in utility costs, and depreciation expenses in machinery and equipment as a result of the commencement in commercial production of our mining and production facilities in the Muma Mining Area.

Earnings per share

For the six months ended 30 June 2010, the earnings per share was RMB18.34 cents (six months ended 30 June 2009: RMB16.42 cents).

Interim dividend

At the meeting of the Board held on 31 August 2010, the Directors declared an interim dividend of HK5.2 cents per share (equivalent to approximately RMB4.589 cents per share) for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Liquidity and financial resources

Borrowings

Our bank borrowings and fixed rate senior notes were approximately RMB455.0 million and RMB1,606.9 million respectively as at 30 June 2010. Our 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 17 and 18 respectively to the condensed consolidated interim financial statements contained in this interim report.

Leverage

Gearing ratio defined as consolidated total debts divided by consolidated total assets as at 30 June 2010 was 45.6% and the net gearing ratio defined as consolidated net debts divided by consolidated total assets as at 30 June 2010 was 30.8%.

Pledge of assets

Details of pledge of assets as at 30 June 2010 are shown in note 15 to the condensed consolidated interim financial statements prepared in accordance with the International Financial Reporting Standards.

Contingent liabilities

As at 30 June 2010, the Group did not have any material contingent liabilities (at 31 December 2009: Nil).

Capital commitment

Details of our capital commitment are shown in note 22 to the condensed consolidated interim financial statements prepared in accordance with the International Financial Reporting Standards.

Foreign currency exposure

During the period, we did not use any foreign currency derivative product to hedge our exposure to currency risk. However, the management managed and monitored our foreign currency exposure to ensure that appropriate measures were implemented on a timely and effective manner.

Market Review

China ranks first in the world in terms of the size of glauberite ($\text{Na}_2\text{SO}_4 \bullet \text{CaSO}_4$) reserves, and a majority of which is concentrated in Sichuan and Jiangsu provinces. China is also the biggest thenardite producer, consumer, and exporter in the world.

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 thenardite products in the Asian market. The proximity to high growth Asian markets provides the Chinese thenardite producers with great potentials of business opportunities.

The thenardite market has been volatile in 2009 as with all non-ferrous commodities in China, but in the first half of 2010 we have witnessed gradual restoration of stability in the market. In addition, the niche high-end segment of the market has proved to be robust and unaffected by the volatilities in the commodities market.

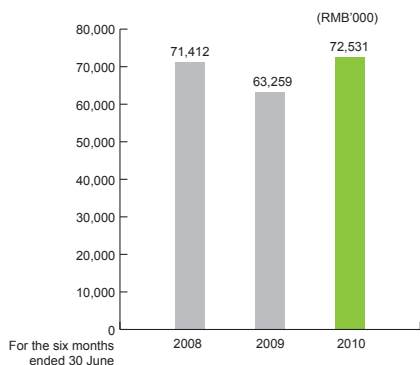
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Business Review

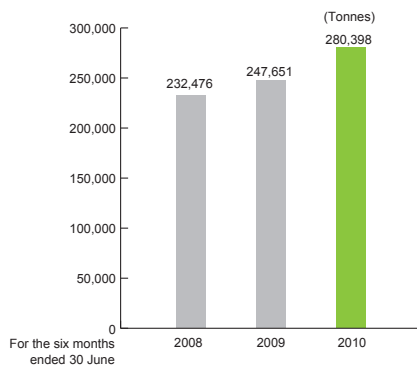
Products

We produce powder thenardite, specialty thenardite and medical thenardite. As a leading thenardite producer in China, we enjoy 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 Revenue

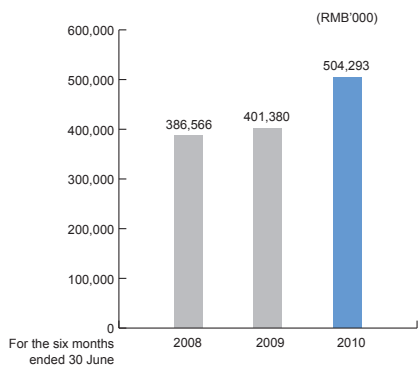


Volume

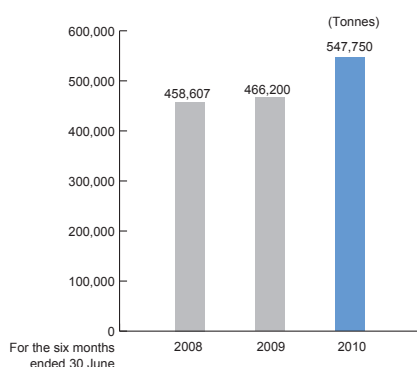


We sold approximately 280,398 tonnes of powder thenardite for the six months ended 30 June 2010 (six months ended 30 June 2009: 247,651 tonnes) with 13.2% year-on-year growth, and our revenue amounted to RMB72.5 million (six months ended 30 June 2009: RMB63.2 million) with 14.7% year-on-year growth.

Specialty thenardite Revenue



Volume

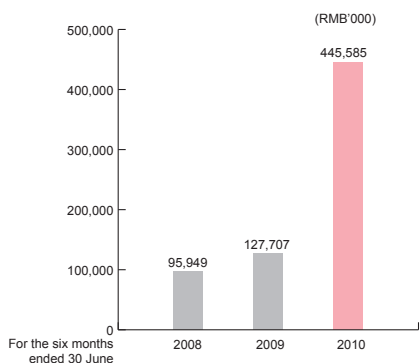


MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

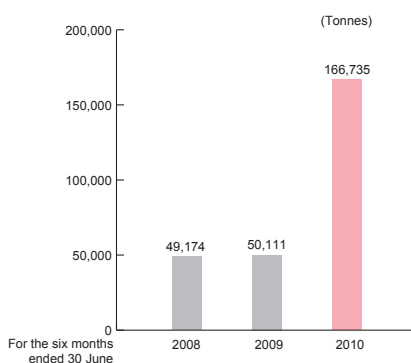
We sold approximately 547,750 tonnes of specialty thenardite for the six months ended 30 June 2010 (six months ended 30 June 2009: 466,200 tonnes), and revenue derived from specialty thenardite sales amounted to RMB504.3 million (six months ended 30 June 2009: RMB401.4 million), with 17.5% and 25.6% year-on-year growth respectively.

Medical thenardite

Revenue



Volume



Our medical thenardite products are 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 products are sold under the National Pharmaceutical Batch Code (國藥准字) Z51022578 issued by the State Food and Drug Administration. The quality of our medical thenardite products 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. Our production facilities of medical thenardite are GMP certified.

We sold approximately 166,735 tonnes of medical thenardite for the six months ended 30 June 2010 (six months ended 30 June 2009: 50,111 tonnes), and revenue derived from medical thenardite sales amounted to RMB445.6 million (six months ended 30 June 2009: RMB127.7 million), with 232.7% and 248.9% year-on-year growth respectively.

Operation Review

Dahongshan Mining Area (powder thenardite & medical thenardite)

Our mine in the Dahongshan Mining Area is a fully developed and operational underground mining and processing facility that produced approximately 335,579 tonnes of thenardite for the six months ended 30 June 2010. 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.

Guangji Mining Area (specialty thenardite)

Our Guangji Mining Area is approximately 3.9 km² and produced approximately 546,472 tonnes of thenardite for the six months ended 30 June 2010. The production capacity of our mining and production facilities in the Guangji Mining Area increased from 1.0 million tpa in 2009 to 1.1 million tpa in 2010.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Muma Mining Area (medical thenardite)

Our new production facility for medical thenardite of a total production capacity 200,000 tpa in Muma Mining Area began trial production in November 2009, successfully received GMP certification in December 2009 and commenced commercial operation in January 2010. Our Muma Mining Area produced approximately 108,264 tonnes of thenardite for the six months ended 30 June 2010.

Yuegou Mining Area (animal feed grade thenardite)

Our new production facility for animal feed grade thenardite in the Yuegou Mining Area began trial production in August 2010 and it is expected that it will commence commercial operation in September 2010. As of the date of this report, our mining and production facilities in the Yuegou Mining Area have a total production capacity of 0.3 million tpa. The production capacity of this mining area is mainly used to produce animal feed grade thenardite.

Future Prospect

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

Focus on the development of medical thenardite in line with the State's medical reform and policies

The recent medical reform in China is favorable to the medical thenardite business of the Group. Due to the expansion of the scope of medical allowance granted by the PRC government to the public, the sales amount of the medical thenardite of the Group is driven by the increase in output of traditional Chinese health products, mild laxative and anti-inflammatory agent. The sales of the medical thenardite of the Group will also be benefited from the ongoing urbanization, fast-growing economic development and rising awareness on health in China. The Group expects that the demand for medical thenardite will continue to grow at a CAGR of low to mid teens in the future.

At the beginning of 2010, the Group particularly invested in the enhancement of mining facilities to increase the proportion of the production of medical thenardite. For the six months ended 30 June 2010, the sales of the medical thenardite of the Group grew substantially by over 100% as compared to the same period in the previous year. Taking into account the fact that medical thenardite will become one of the major sources of income the Group, the Group will continue to push ahead the expansion of medical thenardite business in the future. It is in expectancy that the sales of medical thenardite will eventually contribute for approximately 40% to 50% of the annual revenue of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Maintain our product quality to keep competitive edge

As the State imposes stricter regulations on the pharmaceutical industry, the requirements on the raw materials of drugs will be tightened up. With high grade thenardite reserve and equipped with advanced mining and production technologies, the Group is the only medical thenardite manufacturer with the requisite licences and GMP certification in the PRC. As the production technology of medical thenardite is patented and the manufacturing technique has been continuously improved since the 1980s, the Group enjoys a definite leading position in the PRC market leveraging on its high quality medical thenardite products.

In terms of the overall quality of thenardite products, “Chuanmei Brand” continues to be named “Sichuan Province Famous Brand” in 2010. In addition, the thenardite production and the related management business of Sichuan Chuanmei Mirabilite Co., Ltd. (“Chuanmei Mirabilite”), a subsidiary of the Company, has successively obtained the renewal assessment for ISO14001:2004 in 2010. The Company will continue to uphold its product quality and maintain its leading industry position and competitive advantages.

Expansion of production capacity and industry consolidation through merger and acquisition

As to the expansion of production capacity, we successfully acquired the mining right at Yuegou, Dongpo District, Meishan, Sichuan Province, as our fourth mining area. We have commenced to expand and upgrade a production facility with a production capacity of 300,000 tpa in Yuegou Mining Area for animal feed grade thenardite and specialty thenardite. It is expected that commercial operation will commence in September 2010. In addition, we will continue to look for suitable thenardite operators for merger and acquisition opportunities, so as to actively expand our production capacity and further capture market share in the industry, with the aim to consolidate the industry and improve our pricing power.

Further vertically integrate business by exploring downstream business expansion opportunities

We believe we have captured a large majority market share in China’s specialty thenardite and medical thenardite industries. Looking ahead, we will continue to explore opportunities in downstream businesses. For example, our expansion towards medical thenardite for clinical application is a natural downward extension of our medical thenardite business. By being able to capture a larger part of the business chain, we will enjoy additional earnings from the same volume and capacity output. We will also be exploring similar opportunities for powder and specialty thenardite.

Employees and remuneration policies

As at 30 June 2010, we had a total of 1,795 employees (six months ended 30 June 2009: 1,807 employees). Total staff costs (including Directors’ remuneration) for the six months ended 30 June 2010 were approximately RMB46.0 million (six months ended 30 June 2009: RMB31.3 million), representing 13.2% (six months ended 30 June 2009: 15.2%) of our 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 our overall remuneration policies. Our management reviewed the remuneration policies and packages on a regular basis.

We operate a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of our operations.

OTHER INFORMATION

Interests and Short Positions of Directors in the Shares, Underlying Shares and Debentures of the Company and Its Associated Corporations

As at 30 June 2010, 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 The Stock Exchange of Hong Kong Limited (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 Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange 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	742,063,114	38.2%
Mr. Zhang Songyi (Note 2)	Interest of a controlled corporation	25,164,000	1.3%
Mr. Wang Chun Lin (Note 3)	Interest of a controlled corporation	36,131,000	1.9%

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, 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, 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.

OTHER INFORMATION (Continued)

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 granted	Exercise price
Mr. Zhang Daming	30 April 2008	4,218,000	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 granted	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
Mr. Li Xudong	28 July 2009	5,000,000	HK\$3.59
Mr. Zhang Songyi	23 April 2010	8,400,000	HK\$2.64
Mr. Yu Man Chiu Rudolf	23 April 2010	10,000,000	HK\$2.64

Save as disclosed above, at no time during the period for the six months ended 30 June 2010 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.

OTHER INFORMATION (Continued)

Substantial Shareholders' Interests in the Share Capital of the Company

As at 30 June 2010, 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 of Shareholder	Nature of interest	Number of Shares	Approximate percentage of shareholding
Nice Ace (Note 1)	Beneficial owner	742,063,114	38.2%
Mr. Suo Lang Duo Ji (Note 2)	Interest of a controlled corporation	742,063,114	38.2%

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 742,063,114 Shares held by Nice Ace under the provisions of the SFO.

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.

OTHER INFORMATION (Continued)

Share Options

The Company 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 30 June 2010, 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 period (dd/mm/yy) (Note 1)	Number of shares to be issued upon full exercise of options	Approximate percentage of issued share capital
(i) Directors					
Mr. Zhang Daming	30 April 2008	2	08/07/09 – 16/06/16	4,218,000	0.22%
Mr. Li Xudong	30 April 2008	2	08/07/09 – 16/06/16	3,192,000	0.16%
(ii) Employees	30 April 2008	2	08/07/09 – 16/06/16	64,600,000	3.32%
(iii) Other (Note 2)	30 April 2008	2	08/07/09 – 16/06/16	3,990,000	0.21%
Total				76,000,000	3.91%

OTHER INFORMATION (Continued)

Notes:

- (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

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.

- (2) The option granted to Ms. Deng Xianxue pursuant to the Pre-IPO Share Option Scheme lapsed upon her resignation as an executive Director with effect from 3 March 2010.

OTHER INFORMATION (Continued)

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.

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. Such 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.

In addition, on 23 April 2010, according to the terms of the Share Option Scheme, the Company granted 60,000,000 share options to certain eligible participants including certain Directors and employees at an exercise price with carrying value of HK\$2.64 per share (18,400,000 share options of which were granted to the Directors) and the consideration for each of the grant was HK\$1. Such share options granted pursuant to the Share Option Scheme will be exercisable during three respective periods commencing from 23 April 2010 (save for the 5,000,000 share options granted to Mr. Yu Man Chiu Rudolf, an executive Director, which shall be exercisable commencing from 1 July 2010), 1 January 2011 and 1 January 2012 respectively and expiring on 31 December 2010, 31 December 2011 and 31 December 2012 respectively. Particulars of the share options granted under the Share Option Scheme were set forth in the announcement of the Company dated 23 April 2010.

Details of the share options outstanding as at 30 June 2010 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	Share options granted during	Share options exercised during	Share options lapsed during	Share options held on
				1 January 2010	the six months ended 30 June 2010	the six months ended 30 June 2010	the six months ended 30 June 2010	30 June 2010
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	1 January 2010 to 31 December 2010	3.59	2,500,000	-	-	-	2,500,000	
	1 January 2011 to 31 December 2011	3.59	2,500,000	-	-	-	2,500,000	
				5,000,000	-	-	-	5,000,000
Ms. Deng Xianxue (resigned as an executive Director with effect from 3 March 2010)	30 April 2008	16 June 2009 to 16 June 2016	2.00	1,000	-	-	(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)	-
				1,996,000	-	-	(1,996,000)	-
28 July 2009	1 January 2010 to 31 December 2010	3.59	2,500,000	-	-	(2,500,000)	-	
	1 January 2011 to 31 December 2011	3.59	2,500,000	-	-	(2,500,000)	-	
				5,000,000	-	-	(5,000,000)	-
Mr. Yu Man Chiu Rudolf	23 April 2010	1 July 2010 to 31 December 2010	2.64	-	5,000,000	-	-	5,000,000
	23 April 2010	1 January 2011 to 31 December 2011	2.64	-	2,500,000	-	-	2,500,000
	23 April 2010	1 January 2012 to 31 December 2012	2.64	-	2,500,000	-	-	2,500,000
				-	10,000,000	-	-	10,000,000
Mr. Li Xudong	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
				1,596,000	-	-	-	1,596,000
28 July 2009	1 January 2010 to 31 December 2010	3.59	2,500,000	-	-	-	2,500,000	
	1 January 2011 to 31 December 2011	3.59	2,500,000	-	-	-	2,500,000	
				5,000,000	-	-	-	5,000,000
Mr. Suo Lang Duo Ji	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
				800,000	-	-	-	800,000
Mr. Wang Chun Lin	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
				5,000,000	-	-	-	5,000,000

Name or category of grantees	Date of grant	Exercisable period	Exercise price (HK\$)	Share options held on	Share options granted during the six months ended 30	Share options exercised during the six months ended 30	Share options lapsed during the six months ended 30	Share options held on 30
				1 January 2010	June 2010	June 2010	June 2010	June 2010
Mr. Zhang Songji	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
				800,000	-	-	-	800,000
	23 April 2010	23 April 2010 to 31 December 2010	2.64	-	4,200,000	-	-	4,200,000
	23 April 2010	1 January 2011 to 31 December 2011	2.64	-	2,100,000	-	-	2,100,000
	23 April 2010	1 January 2012 to 31 December 2012	2.64	-	2,100,000	-	-	2,100,000
				-	8,400,000	-	-	8,400,000
Other eligible participants of the Group								
	30 April 2008	16 June 2009 to 16 June 2016	2.00	9,232,500	-	(956,000)	-	8,276,500
	30 April 2008	16 June 2010 to 16 June 2016	2.00	10,653,000	-	-	(740,333)	9,912,667
	30 April 2008	16 June 2011 to 16 June 2016	2.00	10,653,000	-	-	(740,333)	9,912,667
	30 April 2008	16 June 2012 to 16 June 2016	2.00	10,653,000	-	-	(740,334)	9,912,666
				41,191,500	-	(956,000)	(2,221,000)	38,014,500
	28 July 2009	1 January 2010 to 31 December 2010	3.59	14,500,000	-	-	(750,000)	13,750,000
	28 July 2009	1 January 2011 to 31 December 2011	3.59	14,500,000	-	-	(750,000)	13,750,000
				29,000,000	-	-	(1,500,000)	27,500,000
	23 April 2010	23 April 2010 to 31 December 2010	2.64	-	20,800,000	-	-	20,800,000
	23 April 2010	1 January 2011 to 31 December 2011	2.64	-	10,400,000	-	-	10,400,000
	23 April 2010	1 January 2012 to 31 December 2012	2.64	-	10,400,000	-	-	10,400,000
				-	41,600,000	-	-	41,600,000
Directors and other eligible participants of the Group								
	30 April 2008	16 June 2009 to 16 June 2016	2.00	11,342,500	-	(956,000)	(1,000)	10,385,500
	30 April 2008	16 June 2010 to 16 June 2016	2.00	12,553,000	-	-	(1,405,333)	11,147,667
	30 April 2008	16 June 2011 to 16 June 2016	2.00	12,553,000	-	-	(1,405,333)	11,147,667
	30 April 2008	16 June 2012 to 16 June 2016	2.00	12,553,000	-	-	(1,405,334)	11,147,666
				49,001,500	-	(956,000)	(4,217,000)	43,828,500
	28 July 2009	1 January 2010 to 31 December 2010	3.59	25,300,000	-	-	(3,250,000)	22,050,000
	28 July 2009	1 January 2011 to 31 December 2011	3.59	25,300,000	-	-	(3,250,000)	22,050,000
				50,600,000	-	-	(6,500,000)	44,100,000
	23 April 2010	23 April 2010 to 31 December 2010	2.64	-	25,000,000	-	-	25,000,000
	23 April 2010	1 July 2010 to 31 December 2010	2.64	-	5,000,000	-	-	5,000,000
	23 April 2010	1 January 2011 to 31 December 2011	2.64	-	15,000,000	-	-	15,000,000
	23 April 2010	1 January 2012 to 31 December 2012	2.64	-	15,000,000	-	-	15,000,000
				-	60,000,000	-	-	60,000,000
				99,601,500	60,000,000	(956,000)	(10,717,000)	147,928,500

Compliance with the Code on Corporate Governance Practices

During the six months ended 30 June 2010, the Board is of the view that the Company has complied with all the code provisions stipulated in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules. No Director is aware of any information that reasonably reveals that there is any non-compliance with the code provisions in the Code by the Company during any time of the period under review.

Model Code for Securities Transactions by Directors (the "Model Code")

The Company adopted the Model Code as the code for Directors' securities transactions. Having made specific enquiry, all the Directors confirmed their compliance with the required standard set out in the Model Code throughout the six months ended 30 June 2010.

Audit Committee

The Company established 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 four members as at the date of this report namely, Mr. Koh Tiong Lu John (the Chairman of the Audit Committee and independent non-executive Director), Mr. Gao Zongze (independent non-executive Director), Mr. Xia Lichuan (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 unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2010, with the management of the Company. The Audit Committee is of the opinion that the interim report has complied with applicable accounting standards, the Listing Rules and the legal requirements and that adequate disclosures have been made.

Mr. Patrick Logan Keen resigned as an independent non-executive Director and the Chairman of the Audit Committee on 31 July 2010 while Mr. Koh Tiong Lu John was appointed as the Chairman and a member of the Audit Committee with effect from the same date. Meanwhile, both Mr. Gao Zongze and Mr. Xia Lichuan were appointed as members of the Audit Committee with effect from 31 July 2010.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2010, the Company repurchased a total of 7,436,000 shares of US\$0.00001 each in the capital of the Company. All the repurchased shares were cancelled in February 2010. Save for the aforesaid, the Company has not redeemed any of its securities during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the period.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

With the Group achieving an outstanding profitability for the six months ended 30 June 2010, the Directors are pleased to recommend and declare an interim dividend of HK5.2 cents (equivalent to approximately RMB4.589 cents per share) per share of the Company for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil), to be paid on or about 30 September 2010 to shareholders of the Company with their names recorded on the register of members of the Company at the close of business on 13 September 2010.

The register of members of the Company will be closed from 14 September 2010 to 16 September 2010, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrars, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 13 September 2010.

INDEPENDENT REVIEW REPORT



Member of Grant Thornton International Ltd

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

Introduction

We have reviewed the interim financial statements set out on pages 21 to 40 which comprise the condensed consolidated statement of financial position of Lumena Resources Corp. as of 30 June 2010 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, a summary of significant accounting policies and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report of interim financial statements to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Our responsibility is to express a conclusion on these interim financial statements based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

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

31 August 2010

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	Notes	Six months ended 30 June	
		2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
Revenue	5	1,022,409	592,346
Cost of sales		(285,931)	(163,575)
Gross profit		736,478	428,771
Other revenue and gains	6	7,711	1,788
Selling and distribution expenses		(4,247)	(3,596)
Other operating expenses		(59,059)	(38,470)
Finance costs	7	(120,405)	(35,587)
Profit before income tax	8	560,478	352,906
Income tax expense	9	(203,569)	(89,477)
Profit for the period		356,909	263,429
Profit for the period attributable to:			
Owners of the Company		356,909	254,711
Non-controlling interests		–	8,718
		356,909	263,429
		RMB cents	RMB cents
Earnings per share for profit attributable to the owners of the Company during the period	11		
– Basic		18.34	16.42
– Diluted		18.32	16.36

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
Profit for the period	356,909	263,429
Other comprehensive income		
Exchange gain/(loss) on translation of financial statements of foreign operations	11,283	(1,223)
Other comprehensive income for the period, net of tax	11,283	(1,223)
Total comprehensive income for the period, net of tax	368,192	262,206
Total comprehensive income attributable to:		
Owners of the Company	368,192	253,488
Non-controlling interests	–	8,718
	368,192	262,206

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	Notes	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	2,126,955	1,607,383
Land use rights		56,433	57,084
Goodwill	13	8,386	8,386
Mining rights		384,039	390,850
Other intangible asset		17,588	17,588
Deposits		368,432	402,997
		2,961,833	2,484,288
Current assets			
Inventories		11,720	13,560
Trade and other receivables	14	800,018	515,338
Pledged bank deposits	15	81,103	170,646
Cash and cash equivalents		669,159	929,467
		1,562,000	1,629,011
Current liabilities			
Trade and other payables	16	208,671	305,197
Bank borrowings	17	383,000	236,500
Tax payable		38,697	15,989
		630,368	557,686
Net current assets		931,632	1,071,325
Total assets less current liabilities		3,893,465	3,555,613
Non-current liabilities			
Bank borrowings	17	72,000	120,000
Fixed rate senior notes	18	1,606,864	1,616,755
Deferred tax liabilities	19	56,574	30,616
		1,735,438	1,767,371
Net assets		2,158,027	1,788,242

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 30 June 2010

	Note	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
EQUITY			
Share capital	20	143	143
Reserves		2,157,884	1,788,099
Total equity		2,158,027	1,788,242

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve 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	Dividend reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 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	28	712,628	-	-	-	-	-	-	-	-	712,656	-	712,656
Expenses of share issues	-	(121,572)	-	-	-	-	-	-	-	-	(121,572)	-	(121,572)
Recognition of share-based payments	-	-	-	10,103	-	-	-	-	-	-	10,103	-	10,103
Transactions with owners	28	591,056	-	10,103	-	-	-	-	-	-	601,187	-	601,187
Profit for the period	-	-	-	-	-	-	-	-	-	254,711	254,711	8,718	263,429
Other comprehensive income													
- Exchange loss on translation of financial statements of foreign operations	-	-	-	-	-	-	-	(1,223)	-	-	(1,223)	-	(1,223)
Total comprehensive income for the period	-	-	-	-	-	-	-	(1,223)	-	254,711	253,488	8,718	262,206
At 30 June 2009 (unaudited)	141	618,892	-	23,903	103,539	-	118,459	66,373	-	708,668	1,639,975	48,960	1,688,935
At 1 January 2010	143	684,624	-	33,441	103,539	(211,819)	226,514	66,768	-	885,032	1,788,242	-	1,788,242
Exercise of share options	1	2,107	-	(436)	-	-	-	-	-	-	1,672	-	1,672
Repurchase and cancellation of shares	(1)	(12,779)	1	-	-	-	-	-	-	(1)	(12,780)	-	(12,780)
Recognition of share-based payments	-	-	-	12,701	-	-	-	-	-	-	12,701	-	12,701
Interim dividend declared	-	-	-	-	-	-	-	-	89,227	(89,227)	-	-	-
Transactions with owners	-	(10,672)	1	12,265	-	-	-	-	89,227	(89,228)	1,593	-	1,593
Profit for the period	-	-	-	-	-	-	-	-	-	356,909	356,909	-	356,909
Other comprehensive income													
- Exchange gain on translation of financial statements of foreign operations	-	-	-	-	-	-	-	11,283	-	-	11,283	-	11,283
Total comprehensive income for the period	-	-	-	-	-	-	-	11,283	-	-	11,283	-	11,283
Lapse of share options	-	-	-	(1,731)	-	-	-	-	-	1,731	-	-	-
At 30 June 2010 (unaudited)	143	673,952	1	43,975	103,539	(211,819)	226,514	78,051	89,227	1,154,444	2,158,027	-	2,158,027

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
Net cash generated from operating activities	189,685	82,607
Net cash used in investing activities	(415,945)	(308,367)
Net cash (used in)/generated from financing activities	(27,865)	475,662
Net (decrease)/increase in cash and cash equivalents	(254,125)	249,902
Cash and cash equivalents at beginning of the period	929,467	827
Effect of foreign exchange rate changes on cash and cash equivalents	(6,183)	–
Cash and cash equivalents at end of the period	669,159	250,729

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2010

1. GENERAL INFORMATION

Lumena Resources Corp. (the “Company”) was incorporated in the Cayman Islands on 12 April 2007 as an exempted company with limited liability under the Companies Law of 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.

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2010 (the “Interim Financial Statements”) have been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim financial reporting, issued by the International Accounting Standards Board (the “IASB”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The Interim Financial Statements do not include all of the information required in annual financial statements in accordance with International Financial Reporting Standards (“IFRSs”) (which collective term includes all applicable individual International Financial Reporting Standards and Interpretations as approved by the IASB, and all applicable individual International Accounting Standards and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by the IASB), and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2009.

The Interim Financial Statements are unaudited, but have been reviewed by Grant Thornton in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the Hong Kong Institute of Certified Public Accountants.

The Interim Financial Statements have been approved for issue by the board of directors on 31 August 2010.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2010

3. SIGNIFICANT ACCOUNTING POLICIES

The Interim Financial Statements have been prepared in accordance with the accounting policies adopted in the last financial statements for the year ended 31 December 2009, except for the adoption of the following standards as of 1 January 2010:

- IFRS 3 Business Combinations (Revised 2008)
- IAS 27 Consolidated and Separate Financial Statements (Revised 2008)
- Improvements to IFRSs 2009

Significant effects on the current period or prior periods arising from the first-time adoption of these new requirements are described below.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of the Interim Financial Statements.

3.1 Adoption of IFRS 3 Business Combination (Revised 2008) ("IFRS 3R")

The revised standard (IFRS 3R) introduced major changes to the accounting requirements for business combinations. It retains the major features of the purchase method of accounting, now referred to as the acquisition method. The most significant changes in IFRS 3R that had an impact on the Group's acquisitions in 2010 are as follows:

- Acquisition-related costs of the combination are recorded as an expense in the statement of comprehensive income. Previously, these costs would have been accounted for as part of the cost of the acquisition.
- The assets acquired and liabilities assumed are generally measured at their acquisition-date fair values unless IFRS 3R provides an exception and provides specific measurement rules.
- Any contingent consideration is measured at fair value at the acquisition date. If the contingent consideration arrangement gives rise to a financial liability, any subsequent changes are generally recognised in profit or loss. Previously, contingent consideration was recognised at the acquisition date only if its payment was probable.

IFRS 3R has been applied prospectively to business combinations for which the acquisition date is on or after 1 January 2010.

The Group did not have business acquisition on or after 1 January 2010. Therefore, the adoption of IFRS 3R results in a change of the Group's accounting policies on business combinations but did not have any impact in the Group's financial position and performance.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Adoption of IAS 27 Consolidated and Separated Financial Statements (Revised 2008)

The adoption of IFRS 3R required that the revised IAS 27 ("IAS 27R") is adopted at the same time. IAS 27R introduced changes to the accounting requirements for transactions with non-controlling (formerly called 'minority') interests and the loss of control of a subsidiary. Similar to IFRS 3R, the adoption of IAS 27R is applied prospectively. The Group did not have non-controlling interests in the current period and did not dispose of any of its equity interests in its subsidiaries. Therefore, the adoption of IAS 27R did not have an impact in the Interim Financial Statements.

3.3 Adoption of Annual Improvements to IFRSs 2009 (issued in April 2009)

The Annual Improvements to IFRSs 2009 ('2009 Improvements') made several minor amendments to IFRSs. The only amendment relevant to the Group relates to IAS 17 Leases. The amendment requires that leases of land are classified as finance or operating applying the general principles of IAS 17. Prior to this amendment, IAS 17 generally required a lease of land to be classified as an operating lease. The Group has reassessed the classification of the land elements of its unexpired leases at 1 January 2010 on the basis of information existing at the inception of those leases and has determined that none of its leases require reclassification.

4. SEGMENT INFORMATION

The Group identifies its operating segments and prepares 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 the performance of those components. There is only one business component in the internal reporting to the executive directors, which is the processing and sale of powder thenardite, specialty thenardite and medical thenardite.

During the six months period to 30 June 2010, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss. Certain items that are not included in arriving at the operating results of the operating segment are expenses relating to share-based payments, income tax and corporate income and expenses. Corporate expenses mainly include consultancy fee, staff costs and directors' remuneration.

Revenue and profit generated by the Group's operating segment are summarised as follows:

	Six months ended 30 June	
	2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
Reportable segment revenue (<i>Note</i>)	1,022,409	592,346
Reportable segment profit	602,962	382,090

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2010

4. SEGMENT INFORMATION *(Continued)*

The following table presents segment assets and liabilities of the Group's operating segment:

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Reportable segment assets	4,346,159	3,650,322
Reportable segment liabilities	2,363,856	2,237,149

The Group's segment operating profit reconciles to the Group's profit before income tax as presented in the Interim Financial Statements as follows:

	Six months ended 30 June 2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
Reportable segment profit	602,962	382,090
Share-based payment expense	(12,701)	(10,103)
Depreciation and amortisation	(453)	(475)
Corporate income	31	276
Corporate expenses	(29,361)	(18,882)
Profit before income tax	560,478	352,906

5. REVENUE

The Group's principal activities are disclosed in note 1 to these interim financial statements. Turnover of the Group is the revenue from these activities. Revenue of the Group represents the net amount received and receivable for goods sold, less value-added tax and returns, during the period.

	Six months ended 30 June 2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
Revenue		
– powder thenardite	72,531	63,259
– medical thenardite	445,585	127,707
– specialty thenardite	504,293	401,380
	1,022,409	592,346

6. OTHER REVENUE AND GAINS

	Six months ended 30 June	
	2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
Bank interest income	3,592	276
Gain on disposals of scrap materials	777	–
Government subsidy	300	1,000
Net foreign exchange gain	3,002	74
Others	40	438
	7,711	1,788

7. FINANCE COSTS

	Six months ended 30 June	
	2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
Interest expenses on bank borrowings wholly repayable within five years	11,274	35,587
Interest expenses on fixed rate senior notes	102,255	–
Amortisation of fixed rate senior notes	6,876	–
	120,405	35,587

8. PROFIT BEFORE INCOME TAX

The Group's operating profit is arrived at after charging the following items:

	Six months ended 30 June	
	2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
Amortisation of land use rights (Note)	651	651
Amortisation of mining rights (Note)	6,811	6,524
Depreciation	35,833	20,531
Write-off of property, plant and equipment	–	430
Staff costs	45,979	31,284

Note:

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2010

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
Current tax		
– Provision for PRC income tax	177,611	89,477
Deferred tax (<i>Note 18</i>)	25,958	–
Total income tax expenses	203,569	89,477

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 six months ended 30 June 2010 (six months ended 30 June 2009: 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 six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

At 30 June 2010, the Company had unrecognised deferred tax assets in respect of unutilised tax losses of HK\$103,086,674 (six months ended 30 June 2009: Nil) which can be carried forward to offset future assessable profits arising from or derived in Hong Kong. The deferred tax assets have not been recognised due to uncertainty of future assessable income to utilise these losses. The tax losses do not expire under current tax legislation.

(iii) Sichuan Chuanmei Mirabilite Co., Ltd. (“Chuanmei Mirabilite”), one of the subsidiaries of the Company, was approved as a foreign invested enterprise in 2005. Chuanmei Mirabilite is also entitled for exemption of the People’s Republic of China (the “PRC”) enterprise income tax (“EIT”) for two years starting from the first year of profitable operations after offsetting prior year tax losses, followed by a three-year 50% tax deduction. The year ended 31 December 2005 was Chuanmei Mirabilite’s first profit-making year and was the first year of its tax holiday.

(iv) Effective on 1 January 2008, the Enterprise Income Tax Law (the “EIT Law”) of the PRC was approved and introduced a wide range of changes, which included, but not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. The existing preferential income tax rate pertaining to the Group’s subsidiaries operated in the PRC gradually transit to the applicable tax rate of 25%. For the six months ended 30 June 2010, Chuanmei Mirabilite is subject to EIT tax rate of 25% (six months ended 30 June 2009: 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% (six months ended 30 June 2009: 25%).

(vi) Pursuant to the 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 period ended 30 June 2010.

10. DIVIDENDS

On 31 August 2010, the directors declared an interim dividend of HK5.2 cents per share (equivalent to approximately RMB4.589 cents per share) (six months ended 30 June 2009: Nil), amounting to RMB89,227,000 (six months ended 30 June 2009: Nil). The interim dividend was declared and paid after the reporting date and has not been recognised as a liability at the reporting date.

11. EARNINGS PER SHARE

Both basic and diluted earnings per share have been calculated using the profit attributable to owners of the Company as the numerator, i.e. no adjustments to profits for the purpose of diluted earnings per share calculation were necessary during the six months ended 30 June 2010 and 2009.

The weighted average number of ordinary shares for the purposes of the calculation of diluted earnings per share can be reconciled to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	Six months ended 30 June	
	2010 (Unaudited) '000	2009 (Unaudited) '000
Number of shares		
Weighted average number of ordinary shares used in basic earnings per share	1,946,120	1,551,249
Shares deemed to be issued for no consideration in respect of share options granted as share-based payments	2,392	5,935
Weighted average number of ordinary shares used in diluted earnings per share	1,948,512	1,557,184

Note:

Regarding the weighted average number of ordinary shares used in diluted earnings per share for the six months ended 30 June 2009, the Company assumed the outstanding share options under the pre-IPO share option scheme approved by the Company's shareholders on 30 April 2008 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 30 June 2009).

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2010, the Group incurred capital expenditure of approximately RMB495,173,000 (six months ended 30 June 2009: RMB78,420,000) in construction in progress, nil (six months ended 30 June 2009: RMB43,000) in motor vehicle, approximately RMB101,189,000 (six months ended 30 June 2009: RMB670,000) in machinery and equipment, of which approximately RMB40,918,000 (six months ended 30 June 2009: RMB661,000) was transferred from construction in progress upon completion and approximately RMB621,240,000 (six months ended 30 June 2009: RMB181,973,000) in buildings and mining structures, of which approximately RMB621,240,000 (six months ended 30 June 2009: RMB181,698,000) was transferred from construction in progress upon completion.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2010

13. GOODWILL

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Acquisition of Chuanmei Mirabilite	8,386	8,386
Net carrying amount	8,386	8,386

Note:

Goodwill as at the reporting date arose from acquisition of Chuanmei Mirabilite in 2004. The amount represents the excess of the cost of acquisition over the fair value of the Group's interest in Chuanmei Mirabilite's net identifiable assets at the date of acquisition.

14. TRADE AND OTHER RECEIVABLES

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Trade receivables (Note)	646,720	351,869
Other receivables	7,688	103,379
Bills receivables	–	80
Deposits and prepayments	145,610	60,010
	800,018	515,338

Note:

The ageing analysis of trade receivables, based on the invoice dates, is as follows:

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Outstanding balances with ages:		
– 90 days or below	511,862	334,483
– 91 – 180 days	128,847	11,945
– 181 – 365 days	5,182	251
– Over 365 days	829	5,190
	646,720	351,869

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 customers, such as financial difficulties and default in payments, and current market conditions.

Credit terms normally granted to the trade customers ranged from 45 days to 180 days depending on the customers' relationship with the Group, its creditworthiness and settlement record.

15. PLEDGE OF ASSETS

The Group had pledged certain buildings, machinery and equipment and other assets to secure the credit facilities granted by certain banks to the Group. The carrying values of these assets pledged at the reporting date are as follows:

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Bank deposits	81,103	170,646
Buildings and mining structures	30,693	31,711
Machinery and equipment	295,127	289,434
Land use rights	22,873	–
Mining rights	297,764	48,833
Deposits	12,000	–
	739,560	540,624

16. TRADE AND OTHER PAYABLES

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Trade payables (Note)	74,383	39,289
Other payables	88,918	157,996
Receipt in advance	45,370	28,712
Consideration payable on acquisition of non-controlling interests	–	79,200
	208,671	305,197

Note:

The ageing analysis of trade payables, based on the invoice dates, is as follows:

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Outstanding balances with ages:		
– 90 days or below	58,551	29,848
– 91 – 180 days	8,892	2,045
– 181 – 365 days	6,852	1,019
– Over 365 days	88	6,377
	74,383	39,289

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2010

17. BANK BORROWINGS

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Secured	455,000	356,500

The maturity profile of the above bank borrowings is as follows:

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Current		
– Within one year	383,000	236,500
Non-current		
– In the second year	72,000	120,000
	455,000	356,500

Movements in bank borrowings are analysed as follows:

	Six months ended 30 June 2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
At beginning of the period	356,500	682,565
New loans raised	225,000	209,848
Repayment of loans	(126,500)	(289,683)
At end of the period	455,000	602,730

17. BANK BORROWINGS (Continued)

Notes:

- (i) As at 30 June 2010, the RMB bank loans of RMB100 million (at 31 December 2009: RMB200 million) were arranged at fixed interest rates of 5.04% to 5.84% (at 31 December 2009: 5.05% to 5.09%) per annum.
- (ii) As at 30 June 2010, the RMB bank loans of RMB355 million (at 31 December 2009: RMB156.5 million) were arranged at floating rate of 5.42% to 6.37% (at 31 December 2009: 5.31% to 5.51%) per annum.
- (iii) 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 15.

18. FIXED RATE SENIOR NOTES

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. 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.

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2010

18. FIXED RATE SENIOR NOTES (Continued)

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

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Carrying amount as at 1 January	1,616,755	–
Issue of the Notes	–	1,614,319
Amortisation of the Notes (Note 7)	6,876	2,438
Exchange gain	(16,767)	(2)
Carrying amount as at 30 June/31 December	1,606,864	1,616,755
Fair value of the Notes as at 30 June/31 December*	1,469,257	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.

19. DEFERRED TAX LIABILITIES

Movement in the deferred tax liabilities during the period/year is as follows:

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
At 1 January	30,616	–
Deferred tax charged during the period/year (Note 9)	25,958	30,616
At 30 June/31 December	56,574	30,616

As at 30 June 2010, deferred tax liabilities were recognised for withholding tax that would be payable on the unremitted earnings for the period from 1 January 2009 to 30 June 2010 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.

However, deferred tax liabilities of approximately RMB25,021,000 (as at 31 December 2009: 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 year from 1 January 2008 to 31 December 2008 of Chuanmei Mirabilite and Chuanmei Glauber Salt. According to the Group's development plan, such amounts are reinvested in these subsidiaries.

20. SHARE CAPITAL

	Number of ordinary shares of US\$0.00001 each	Nominal value	
		US\$	RMB'000
Authorised:			
At 1 January, 2009, 31 December 2009, 1 January 2010 and 30 June 2010	5,000,000,000	50,000	385
Issued and fully paid:			
At 1 January 2009	1,520,000,000	15,200	113
Issue of new shares in connection with the listing	404,000,000	4,040	28
Exercise of share options	26,657,500	267	2
At 31 December 2009 and 1 January 2010	1,950,657,500	19,507	143
Exercise of share options	956,000	9	1
Repurchase and cancellation of shares	(7,436,000)	(74)	(1)
At 30 June 2010	1,944,177,500	19,442	143

Note:

During the period ended 30 June 2010, the Company repurchased a total of 7,436,000 ordinary shares of US\$0.00001 each in the capital of the Company at an aggregate price of approximately HK\$14,623,000 (equivalent to RMB12,780,000). The repurchased shares were fully cancelled and the issued share capital of the Company was reduced by the nominal value of these shares accordingly. The premium payable on repurchase was charged against the share premium account. An amount equivalent to the nominal value of the shares cancelled was transferred from retained earnings to the capital redemption reserve.

21. 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:

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Within one year	7,110	3,597
In the second to fifth years	13,653	200
	20,763	3,797

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

For the six months ended 30 June 2010

22. CAPITAL COMMITMENTS

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

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Contracted, but not provided for:		
– additions to property, plant and equipment	179,082	305,932
– acquisition of land use right	4,686	4,786
	183,768	310,718

23. CONTINGENT ASSETS AND LIABILITIES

The Group did not have significant contingent assets and liabilities as at 30 June 2010 (at 31 December 2009: Nil).