中国旭光高新材料集团有限公司

China Lumena New Materials Corp.

(Incorporated in the Cayman Islands with limited liability)

Stock code : 67

Interim Report 2011

Contents

Corporate Information

Board of Directors

Executive Directors

Mr. Zhang Zhigang *(Chairman)*
(appointed with effect from 1 April 2011)
Mr. Zhang Daming
Mr. Yu Man Chiu Rudolf
Mr. Gou Xingwu
(appointed with effect from 1 April 2011)
Mr. Tan Jianyong
(appointed with effect from 1 April 2011)
Mr. Li Xudong
(resigned with effect from 1 April 2011)

Non-executive Directors

Mr. Suo Lang Duo Ji *(Ex-chairman)*
(resigned with effect from 1 April 2011)
Mr. Zhang Songyi
(resigned with effect from 1 April 2011)
Mr. Wang Chun Lin
(resigned with effect from 1 April 2011)

Independent Non-executive Directors

Mr. Koh Tiong Lu, John
Mr. Wong Chun Keung
Mr. Xia Lichuan
Mr. Gao Zongze
(resigned with effect from 1 April 2011)

Company Secretary

Mr. Wong Kui Tong

Members of the Audit Committee

Mr. Koh Tiong Lu, John *(Chairman)*
Mr. Wong Chun Keung
Mr. Xia Lichuan
Mr. Gao Zongze
(resigned with effect from 1 April 2011)

Members of the Remuneration Committee

Mr. Wong Chun Keung *(Chairman)*
Mr. Xia Lichuan
Mr. Zhang Zhigang
(appointed with effect from 1 April 2011)
Mr. Suo Lang Duo Ji
(resigned with effect from 1 April 2011)
Mr. Gao Zongze
(resigned with effect from 1 April 2011)

Members of the Nomination Committee

Mr. Koh Tiong Lu, John *(Chairman)*
Mr. Wong Chun Keung
Mr. Tan Jianyong
(appointed with effect from 1 April 2011)
Mr. Wang Chun Lin
(resigned with effect from 1 April 2011)

Legal Advisers

as to Hong Kong law:
Li & Partners

Independent Auditor

BDO Limited

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

Registered Office

Clifton House
75 Fort Street
P. O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

Headquarters and Principal Place of Business in Hong Kong

Units 7503B, 7504 and 7505 on
Level 75 of International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

Stock Code

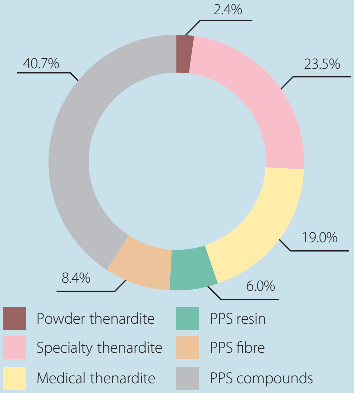
67

Website

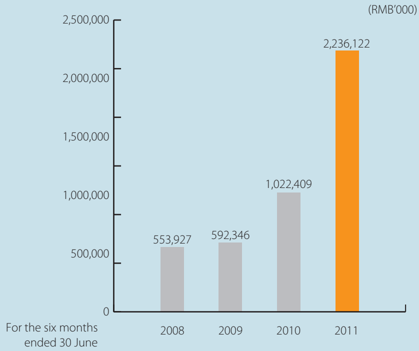
www.lumena.hk

Financial Highlights

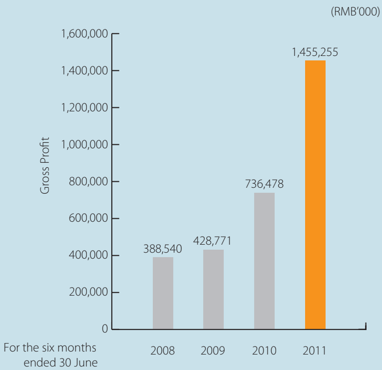
Revenue



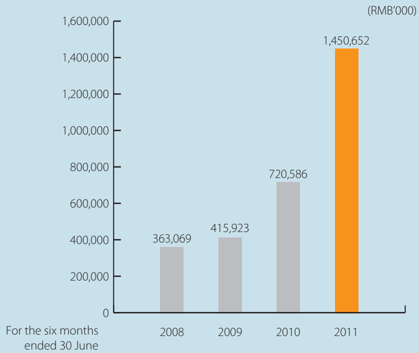
For the six months ended 30 June 2011



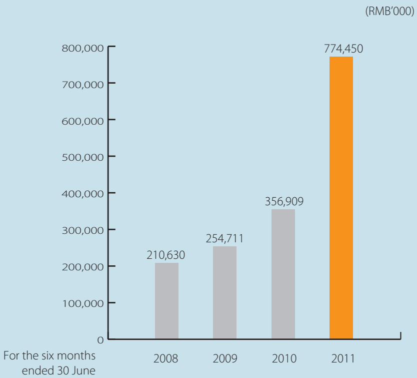
Gross profit



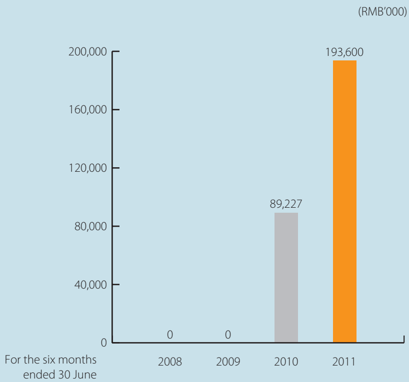
EBITDA



Profit for the period attributable to owners of the company



Dividends



The Board (the "Board") of directors (the "Directors" and each a "Director") of China Lumena New Materials 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 2011, 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 2011, our revenue increased to approximately RMB2,236.1 million (six months ended 30 June 2010: RMB1,022.4 million), representing an increase of approximately 118.7% as compared to the same period in the previous year. The increase in our revenue was attributable to the completion of the acquisition of Sino Polymer New Materials Co., Ltd. ("Sino Polymer", and together with its subsidiaries, the "Sino Polymer Group") since 14 January 2011 (the "Completion Date of Acquisition") and the consolidation of its results into the consolidated accounts of the Group since the Completion Date of Acquisition. The Sino Polymer Group is mainly engaged in the production, development and sales of polyphenylene sulfide ("PPS") products including PPS resin, PPS compounds and PPS fibre and, according to SRI Consulting, HIS Inc. ("SRI Consulting"), is the largest producer of PPS resin in terms of production capacity in the world as at 31 December 2010. The Sino Polymer Group contributed approximately RMB1,232.9 million to our revenue for the six months ended 30 June 2011.

Gross profit and gross profit margin

We recorded a gross profit of RMB1,455.3 million for the six months ended 30 June 2011 (six months ended 30 June 2010: RMB736.5 million), representing an increase of approximately 97.6% as compared to the same period in the previous year. The increase in our gross profit was mainly attributable to the completion of the acquisition of Sino Polymer, which contributed approximately RMB755.6 million to our gross profit for the six months ended 30 June 2011.

Our overall gross profit margin was 65.1% for the six months ended 30 June 2011 (six months ended 30 June 2010: 72.0%), representing a decrease of approximately 6.9% as compared to the same period in previous year. The decrease in our overall gross profit margin was primarily attributable to a change in our product mix to include PPS resin, PPS compounds and PPS fibre products following our successful acquisition of Sino Polymer on the Completion Date of Acquisition.

Profit for the period attributable to owners of the Company

For the six months ended 30 June 2011, our profit for the period attributable to owners of the Company increased to approximately RMB774.5 million (six months ended 30 June 2010: RMB356.9 million), representing an increase of approximately 117.0% as compared to the same period in the previous year. The increase in our profit for the period attributable to owners of the Company was mainly attributable to the completion of the acquisition of Sino Polymer and the consolidation of its results into the consolidated accounts of the Group since the Completion Date of Acquisition.

Earnings per share

For the six months ended 30 June 2011, the basic earnings per share was RMB15.04 cents (six months ended 30 June 2010: RMB18.34 cents).

Interim dividend

At the meeting of the Board held on 26 August 2011, the Board resolved the payment of an interim dividend of HK4.165 cents per share (equivalent to approximately RMB3.428 cents per share) for the six months ended 30 June 2011 (six months ended 30 June 2010: HK5.2 cents per share).

Liquidity and financial resources

Borrowings

Our bank and other borrowings, fixed rate senior notes and convertible bonds amounted to approximately RMB1,642.5 million, RMB1,551.7 million and RMB671.6 million respectively as at 30 June 2011. Our bank borrowings are all secured bank loans. Details of interest rate structure and maturity profile of the bank and other borrowings, fixed rate senior notes and convertible bonds are set out in notes 18, 19 and 20 respectively to the condensed consolidated interim financial statements.

Leverage

The gearing ratio (defined as consolidated total debts divided by consolidated total assets) as at 30 June 2011 was 21.4% (at 31 December 2010: 43.1%) and the net gearing ratio (defined as consolidated net debts divided by consolidated total assets) as at 30 June 2011 was 3.7% (at 31 December 2010: 20.1%).

Pledge of assets

As at 30 June 2011, the Group's assets in an aggregate amount of approximately RMB530.3 million (31 December 2010: RMB667.2 million) in forms of property, plant and equipment, land use rights, mining rights and bank deposits were pledged to banks for credit facilities granted to the Group.

Contingent liabilities

As at 30 June 2011, we did not have any material contingent liabilities (at 31 December 2010: Nil).

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

Thenardite segment

China ranks first in the world in terms of the size of glauberite ($Na_2SO_4 \cdot CaSO_4$) 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 2008 and 2009 financial crisis, demand for thenardite is expected to continue 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.

In the first half of 2011, 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.

PPS segment

According to SRI Consulting, an independent PPS market research consultant, China is the largest PPS consuming country in the world. PPS consumption in China is expected to experience high growth from 2011 to 2015 due to strong growth in industrial production and favorable government policy.

PPS is a crystalline and wholly aromatic polymer characterised by outstanding chemical resistance, thermal and dimensional stability, flame retardance and electrical properties. PPS belongs to a group of high performance thermoplastics ("HPTPs"), which are high-priced, low-volume polymers that are sold for use in specialised applications that require a combination of extraordinary properties. PPS stands out among high performance thermoplastics on price/performance basis, especially when flame or chemical resistance is required. PPS's chemical resistance distinguishes it from other competitors. Few materials can be compared to PPS in terms of heat resistance, humidity resistance and corrosive resistance. PPS is specified for many demanding applications because of its chemical resistance, excellent thermal deflection temperature, good electrical performance, lightweight and ease of production as compared to metals. Thus, PPS is often the material being applied in various industries where there is a hot and corrosive environment. It is most often selected to replace metals. PPS is widely used in electrical and electronic, automotive, industrial, coatings, filters and filter bags and aerospace industries.

Business Review

We are engaged in the mining, processing and manufacturing of natural thenardite products. According to Behre Dolbear & Company (USA) Inc. ("Behre Dolbear"), an independent market research consultant, we are one of the largest thenardite producers in the world in terms of production capacity as at 31 December 2010, and we have a single largest thenardite production facility in the world.

We currently operate four captive underground glauberite mines located in the Dahongshan Mining Area, the Guangji Mining Area, the Muma Mining Area and the Yuegou 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"), an independent mining and geological consultant, the above four mining areas have a total of approximately 59.1 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 facilities in the Dahongshan Mining Area and the Muma Mining Area are the only production facilities in China with GMP certification and the Pharmaceutical Production Permit for medical thenardite, and we are the only approved and certified medical thenardite producer in China.

After the completion of the acquisition of Sino Polymer in January 2011, we are also engaged in the manufacturing and sale of PPS products, which include PPS resin, PPS compounds and PPS fibre. According to SRI Consulting, we are the largest PPS resin producer in the world in terms of production capacity as of 31 December 2010.

Currently, we produce four grades of PPS resin (namely injection moulding grade, coating-grade, fibre-grade and film grade), three grades of granular resin, nine grades of glass fibre-reinforced compounds, two grades of glass bead-filled compounds, three grades of filled and reinforced compounds, eight grades of PTFE (polytetrafluoroethylene) filled compounds and lubricating properties, four grades of high-toughness compounds, and a few specialty grades aiming at insulator applications for subways. Injection moulding PPS resin is used to produce PPS compounds, which are primarily used to replace metals and other materials in a number of applications. Coating-grade PPS resin is primarily used to coat metal components and equipment primarily to resist corrosion. Fibre-grade PPS resin is primarily used to produce staple PPS fibre and filament PPS fibre which in turn is primarily produced into PPS filter cloth, which are used by the customers to produce bags to filter smokestack emissions from coal-fired power plants, thermal plants and incinerators. Moreover, film-grade PPS resin is supplied to a major company in the Republic of Korea for the production of PPS films used in solar panels and electronic applications.

Most of our PPS customers are in the electrical/electronic, automotive/transportation, mechanical, chemical, aviation and environmental industries in the PRC. Domestic PRC sales have accounted for substantially all of our PPS sales. In the PPS industry in general, electrical/electronic, automotive/transportation and industrial/machinery are ready markets in which end-use applications for PPS products are well established. We believe that the environmental (filter bags) industry represents a huge growth opportunity due to more stringent emission standards expected to be promulgated by the PRC government for the coming five years under the Twelfth Five-year Plan.

Products

Thenardite segment

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

We sold approximately 179,952 tonnes of powder thenardite for the six months ended 30 June 2011 (six months ended 30 June 2010: 280,398 tonnes), and our revenue derived from powder thenardite sales amounted to RMB52.4 million (six months ended 30 June 2010: RMB72.5 million).

Specialty thenardite

We sold approximately 624,690 tonnes of specialty thenardite for the six months ended 30 June 2011 (six months ended 30 June 2010: 547,750 tonnes), and our revenue derived from specialty thenardite sales amounted to RMB526.0 million (six months ended 30 June 2010: RMB504.3 million), with 14.0% and 4.3% year-on-year growth respectively.

Medical thenardite

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 thenardive 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 145,965 tonnes of medical thenardite for the six months ended 30 June 2011 (six months ended 30 June 2010: 166,735 tonnes), and our revenue derived from medical thenardite sales amounted to RMB424.9 million (six months ended 30 June 2010: RMB445.6 million).

PPS segment

As the largest PPS resin producer in the world in terms of production capacity after the acquisition of Sino Polymer, we also produce PPS resin, PPS compounds and PPS fibre. Our PPS products are sold under the brand name "Haton" and the trademark "Deyang".

PPS resin

We sold approximately 2,203 tonnes of PPS resin and our revenue derived from PPS resin sales amounted to RMB134.0 million for the six months ended 30 June 2011.

PPS fibre

We sold approximately 2,257 tonnes of PPS fibre and our revenue derived from PPS fibre sales amounted to RMB188.6 million for the six months ended 30 June 2011.

PPS compounds

We sold approximately 13,175 tonnes of PPS compounds and our revenue derived from PPS compounds sales amounted to RMB909.7 million for the six months ended 30 June 2011.

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 223,847 tonnes of thenardite for the six months ended 30 June 2011. 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 tonnes per annum ("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 km^2 and produced approximately 500,070 tonnes of thenardite for the six months ended 30 June 2011. The production capacity of our mining and production facilities in the Guangji Mining Area is 1.1 million tpa in 2011.

Muma Mining Area (medical thenardite)

Our mining and production facilities in the Muma Mining Area have a total production capacity of 200,000 tpa. Our Muma Mining Area produced approximately 102,070 tonnes of medical thenardite for the six months ended 30 June 2011.

Yuegou Mining Area (animal feed grade thenardite)

Our production facility for animal feed grade thenardite in the Yuegou Mining Area has a total production capacity of 0.3 million tpa. Our Yuegou Mining Area produced approximately 125,070 tonnes of medical thenardite for the six months ended 30 June 2011.

PPS production facility

As of 30 June 2011, we have a combined PPS resin production capacity of 30,000 tpa on neat resin basis, PPS compounds production capacity of 30,000 tpa and PPS fibre production capacity of 5,000 tpa. Our PPS production lines produced approximately 11,977 tonnes of PPS resin, 2,257 tonnes of PPS fibre, 13,175 tonnes of PPS compounds for the six months ended 30 June 2011.

Future Plans

Market demand for thenardite is growing steadily. We aim to effectively capture the business opportunities emerging from the market so as to gain further market share and strengthen our competitive and leading position in the thenardite industry.

As the areas of application of PPS, a top-end raw material for producing many high-tech products, continue to expand, the Board believes that the prospect and future growth potential of the PPS industry is highly promising.

Grasping opportunities brought by the Twelfth Five-year Plan and vigorously developing PPS business

According to the State's New Materials Development Strategy Plan set out in the Twelfth Five-year Plan prepared by the Chinese central government, the new materials industry is listed as one of the seven major developing industries in China. Among others, PPS resin, PPS compound and PPS fibre are also referred to as new materials in the State's Materials Development Strategy Plan during China's Twelfth Five-year Plan period and will be given priority by the State for focused cultivation and development. Such supportive state policies are expected to contribute to further PPS demand and support higher PPS product prices.

Currently, the Company produces over 100 kinds of PPS products. These products have been applied in a number of industry sectors to replace the use of metals, among which the use of PPS products in the environmental industry has experienced the fastest development. In order to match the State's new environmental standard for low carbon emission, we are in the process of expanding our PPS production capacity so as to meet new market demands. We believe that China's new environmental policy will stimulate the market demand for PPS and bring us significant business opportunities.

In terms of thenardite business, the urbanization process in China and the "Rural Resident White Goods Subsidy" policy launched for the Twelfth Five-year Plan period promulgated by the PRC government will stimulate the sales volume of washing machines and washing powder, which will lead to further increase in demands for powder thenardite and specialty thenardite and bring immense growth opportunities for our thenardite business.

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

With the implementation of medical reform, the expansion of the scope of medical allowance granted by the Chinese government to the public, as well as the ongoing urbanization, fast-growing economic development and rising awareness on health in China, our medical thenardite business will be greatly stimulated. It is expected that the market demand for medical thenardite will continue to grow at a CAGR of approximately 13% to 16% in the future.

As the only approved and certified medical thenardite producer in China with GMP certification and the Pharmaceutical Production Permit for medical thenardite, we will utilize our own competitive edge and focus on the development of medical thenardite in line with the State's medical reform and policies. We successfully launched thenardite for therapeutic applications and thenardite medicines in the first half of 2011. We entered into the agreement to acquire two thenardite mines from Sichuan Yinglin Group to expand our production capacity, and enhanced our product R&D in order to maintain our leading position and competitive edge in the industry.

It is in our expectancy that the sales of medical thenardite will eventually contribute approximately 40% to 50% of the annual thenardite revenue of the Company and will become the main source of our income. Going forward, we will continue to expand our medical thenardite business to gain more market share.

Expanding production capacity through merger and acquisition

Following the completion of our acquisition of 94.1% equity interest in January 2011 and an additional acquisition of the remaining equity interest in Sino Polymer in June 2011, Sino Polymer became our wholly-owned subsidiary. The Sino Polymer Group enjoys benefits from scale economy, leading market presence and advanced technology, and has devoted itself to a focused business. The successful acquisition of Sino Polymer marks the completion of our development from a thenardite producer into a vertically integrated new material producer. As a result, our market value will be further enhanced.

In the first half of 2011, we have commenced the construction of a PPS resin production line of 25,000 tpa and a PPS fibre production line of 15,000 tpa, with both production lines being expected to commence operation in the fourth quarter of 2012. Together with our existing PPS resin production capacity of 30,000 tpa, our annual effective PPS resin production capacity will reach 36,250 tonnes in 2012 and will reach 55,000 tonnes on neat resin basis in 2013. Together with our existing PPS fibre production capacity of 5,000 tpa, our annual effective PPS fibre production capacity will reach 7,500 tonnes in 2012 and will reach 20,000 tonnes in 2013.

To enhance our thenardite production capability, we entered into an agreement to acquire two thenardite mines, i.e. Yinglin Mining Area and Yihe Mining Area, from Sichuan Yinglin Group in June 2011. The acquired mines were located at the same ore band with our four mining areas and with high quality of thenardite reserve as well as high potential for modification. The acquisition is expected to be completed in the second half of 2011, and thereafter our annual production capacity for thenardite will increase by 600,000 tonnes to 2,800,000 tonnes.

We will continue to identify suitable thenardite operators for merger and acquisition, so as to gain market shares in the industry, to improve our pricing power, and to become a world leading enterprise in the thenardite and PPS industries, with the aim to strengthen our leading position in the industry and to generate synergy.

Intensifying efforts in the R&D of high-end products to maintain our competitive edge

The R&D and promotion of high-end products with higher profit margins is a key focus of our strategy on business development, which helps to increase our profitability and competitiveness. In terms of R&D, we continuously improve the production process and extend the scope of applications for our products.

In the first half of 2011, our PPS R&D team successfully produced low-chlorine PPS and a new film-grade PPS resin. Currently, the Group has been involved in the research and development of new applications of PPS in solar panels and in the field of chemical engineering. We believe that the extended scope of new applications for PPS will effectively increase the profitability of the PPS business.

In the meantime, with a view to support the State's policies in connection with energy conservation and emission reduction, we have entered into a letter of intent with XJ Electric Co., Ltd. on technical cooperation in May 2011, pursuant to which the parties agree to jointly undertake the research and development of battery cell technology for commercial motor vehicles, aiming to achieve mass production of battery cells for electric vehicles in 2011 to expand our sources of revenue.

With respect to thenardite business, in order to support the reform of the State's medical and healthcare policies, we vigorously promoted the application and use of medical thenardite, and developed thenardite medicines for therapeutic applications in the first half of 2011. We will produce specialty thenardite with different properties which are customized to meet the demand of different customers. This will help to boost our overall gross profit margin and increase our market competitiveness.

Proactively expanding our operation into downstream business so as to complete further vertical integration of our businesses

Following the completion of the acquisition of Sino Polymer, we have become the world's largest PPS producer and one of the largest thenardite producers in the world. In the future, we will proactively develop downstream thenardite products to complete further vertical integration of our businesses and increase our profitability.

We have a significant market share in China's specialty thenardite and medical thenardite sectors. In the future, we will continue to seek business opportunities for our downstream business, endeavour to expand the clinical applications for medical thenardite in hospitals, and aim to extend our business to key parts of the downstream industrial chain, which will help lift our profit margin. Our thenardite medicines were formally launched in the retail market in April 2011. They are used by consumers and hospitals for their efficacies of mild laxative, colon anti-inflammation, swelling reduction and detoxification. We will continue to expand the applications of powder thenardite and specialty thenardite as part of its strategy of vertical integration, so as to increase our profitability.

Employees and Remuneration Policies

As at 30 June 2011, we had a total of 2,413 employees (six months ended 30 June 2010: 1,795 employees). Total staff costs (including Directors' remuneration) for the six months ended 30 June 2011 were approximately RMB134.4 million (six months ended 30 June 2010: RMB46.0 million), representing 12.8% (six months ended 30 June 2010: 13.2%) 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. 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. Bonuses and share options 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.

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

As at 30 June 2011, none of the Directors or the chief executive of the Company, or any of their associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations which had to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") set out in Appendix 10 to the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange adopted by the Company, to be notified to the Company and the Stock Exchange, save for certain Directors' interests in the share options granted by the Company pursuant to the Pre-IPO Share Option Scheme (as defined below) and the Share Option Scheme (as defined below) as set out below:

Long positions in share options of the Company

Under the 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
Mr. Gou Xingwu	30 April 2008	953,000	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. Zhang Daming	28 July 2009	2,500,000	HK$3.59
Mr. Yu Man Chiu Rudolf	23 April 2010	5,000,000	HK$2.64
Mr. Zhang Zhigang	14 January 2011	7,600,000	HK$3.28
Mr. Tan Jianyong	14 January 2011	6,000,000	HK$3.28

Substantial Shareholders' Interests In The Share Capital Of The Company

As at 30 June 2011, so far as is known to the Directors or the chief executive of the Company, the shareholders, other than the Directors or the chief executive of the Company, who had interests or short positions in the shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to Section 336 of the SFO were as follows:

Interests in the Company

(i) *Long positions*

Name of shareholder	Capacity and nature of interest	Number of Shares	Approximate percentage of shareholding as at 30 June 2011
Mr. Suo Lang Duo Ji and parties acting in concert with him *(Note 1)*	Interest of a controlled corporation/interest held by parties acting in concert with him	3,248,700,740	57.52%

(ii) *Short positions*

Name of shareholder	Capacity and nature of interest	Number of shares	Approximate percentage of shareholding as at 30 June 2011
Mr. Suo Lang Duo Ji *(Note 2)*	Interest of a controlled corporation	45,446,000	0.80%
Nice Ace Technology Limited ("Nice Ace") *(Note 2)*	Beneficial owner	45,446,000	0.80%

Notes:

(1) The shareholdings of Mr. Suo Lang Duo Ji and parties acting in concert with him are as follows:

Mr. Suo Lang Duo Ji/name of parties acting in concert with him	Number of Shares	Approximate percentage of shareholding as at 30 June 2011
Mr. Suo Lang Duo Ji *(Note a)*	1,878,549,403	33.26%
Mr. Wang Chun Lin and his wife *(Note b)*	110,679,122	1.96%
Mr. Zhang Songyi and his wife *(Note c)*	444,552,288	7.87%
Moonchu Foundation Limited ("Moonchu")	265,165,255	4.70%
Wan Keung	156,231,784	2.77%
Yang Huaijin and Cao Zhong	115,614,207	2.05%
Li Feng, Liu Meifang, Li Bing, Chan Tim Shing, Jiang Guorong	81,778,638	1.44%
Wu Chi Pan	65,043,060	1.15%
Qin Ke Bo	59,130,090	1.05%
Song Jifeng	32,169,354	0.57%
Cheng Zai Zhong	14,782,523	0.26%
Ho Ying	9,869,514	0.17%
Wang Jianfeng	8,869,514	0.16%
Zhang Weibing	6,265,597	0.11%
Zhang Yinghua	391	0.0000069%
	3,248,700,740	57.52%

(a) Mr. Suo Lang Duo Ji has an interest in 1,878,549,403 Shares which are held through Ascend Concept Technology Limited and Nice Ace, and by himself.

(b) The interest of Mr. Wang Chun Lin and his wife is held through AAA Mining Limited, a company which is ultimately beneficially owned as to 50% by Mr. Wang Chun Lin and as to 50% by his wife and Triple A Investments Limited which is a company ultimately beneficially owned as to 50% by Mr. Wang Chun Lin, and as to 50% by his wife, Ms. Caroline Chan Hiu Lai.

(c) The interest of Mr. Zhang Songyi and his wife is held through Mandra Esop Limited and Mandra Materials Limited, each of which is a company ultimately beneficially owned as to 50% by Mr. Zhang Songyi and as to 50% by his wife, Ms. Mui Bing How.

(d) The interest of Moonchu is held through Woo Foong Hong Limited which is a company ultimately beneficially owned by Moonchu and Mandra Mirabilite Limited which is a company wholly owned by Woo Foong Hong Limited. Moonchu is a tax exempt charity established by Mr. Zhang Songyi and his family.

(e) The interest of Mr. Wan Keung is held through Sky Success Investments Ltd. a company which is ultimately beneficially wholly-owned by Mr. Wan Keung.

(f) The interest of Yang Huaijin and Cao Zhong is held through Fine Talent Group Limited, a company which is owned by Yang Huaijin and Cao Zhong as to 94.00% and 6.00% respectively.

(g) The interest of Li Feng, Liu Meifang, Li Bing, Chan Tim Shing and Jiang Guorong is held through Unique Speed Investments Limited, a company which is owned by Li Feng, Liu Meifang, Li Bing, Chan Tim Shing and Jiang Guorong as to 41.92%, 23.98%, 17.96%, 11.97% and 4.17% respectively.

(h) The interest of Wu Chi Pan is held through Raybest Investment Ltd, a company which is ultimately beneficially wholly-owned by Wu Chi Pan.

(i) The interest of Qin Ke Bo is held through Marble King Investment Ltd, a company which is ultimately beneficially wholly-owned by Qin Ke Bo.

(j) The interest of Song Jifeng is held through Joint Peak Investments Limited, a company which is ultimately beneficially wholly-owned by Song Jifeng.

(k) The interest of Cheng Zai Zhong is held through Sino Reach Investments Limited, a company which is ultimately beneficially wholly-owned by Cheng Zai Zhong.

(l) The interest of Ho Ying is held through Orient Value Limited, a company which is ultimately beneficially wholly-owned by Ho Ying.

(m) The interest of Wang Jianfeng is held through Profuse Investment Holding Limited, a company which is ultimately beneficially wholly-owned by Wang Jianfeng.

(n) The interest of Zhang Weibing is held through True Express Limited, a company which is ultimately beneficially wholly-owned by Zhang Weibing.

(o) The interest of Zhang Yinghua is held through China-Land Biotech Holdings Limited, a company which is ultimately beneficially wholly-owned by Zhang Yinghua.

To the best knowledge of the Board, the abovementioned parties acting in concert with Mr. Suo Lang Duo Ji have no longer being deemed to be parties acting in concert with Mr. Suo Lang and his associates since 14 July 2011, details of which are set out in the announcement of the Company dated 21 July 2011.

(2) Pursuant to two warrant instruments both dated 29 July 2010 and entered into between Nice Ace and Mr. Suo Lang Duo Ji relating to the warrants issued by Nice Ace, the warrant holders have the right to exercise warrants for a total of up to 45,446,000 Shares as at 30 June 2011.

Save as disclosed above, as at 30 June 2011, so far as is known to the Directors or the chief executive of the Company, no other person (who is not a Director or the chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register kept by the Company under section 336 of the SFO or, who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital.

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 30 June 2011, 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) Directors					
Mr. Zhang Daming	30 April 2008	2.00	08/07/09 – 16/06/16	4,218,000	0.07%
Mr. Gou Xingwu	30 April 2008	2.00	08/07/09 – 16/06/16	2,857,000	0.05%
(ii) Employees	30 April 2008	2.00	08/07/09 – 16/06/16	61,743,000	1.09%
(iii) Others *(Note 3)*	30 April 2008	2.00	08/07/09 – 16/06/16	7,182,000	0.13%
Total				76,000,000	1.35%

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

(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

(3) The options granted to Ms. Deng Xianxue and Mr. Li Xudong pursuant to the Pre-IPO Share Option Scheme lapsed upon each of their resignations as an executive Director with effect from 3 March 2010 and 1 April 2011 respectively.

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.

Particulars of grant of share options under the Share Option Scheme during the six months ended 30 June 2011 are set out as follows:

On 14 January 2011, according to the terms of the Share Option Scheme, the Company granted 175,920,000 share options to certain eligible participants including certain Directors and employees at an exercise price of HK$3.28 per share (13,600,000 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 14 January 2011, 14 January 2012 and 14 January 2013 respectively and expiring on 13 January 2012, 13 January 2013 and 13 January 2014 respectively. For future details, please refer to the announcement of the Company dated 16 January 2011.

Details of the share options outstanding as at 30 June 2011 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 at 1 January 2011	Share options granted during the period	Share options exercised during the period	Share options lapsed during the period	Share options held as at 30 June 2011
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 2011 to 31 December 2011	3.59	2,500,000	–	–	–	2,500,000
				2,500,000	–	–	–	2,500,000
Mr. Yu Man Chiu, Rudolf	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
				5,000,000	–	–	–	5,000,000
Mr. Zhang Zhigang	14 January 2011	14 January 2011 to 13 January 2012	3.28	–	3,800,000	–	–	3,800,000
	14 January 2011	14 January 2012 to 13 January 2013	3.28	–	1,900,000	–	–	1,900,000
	14 January 2011	14 January 2013 to 13 January 2014	3.28	–	1,900,000	–	–	1,900,000
				–	7,600,000	–	–	7,600,000
Mr. Gou Xingwu	30 April 2008	16 June 2010 to 16 June 2016	2.00	666	–	–	–	666
	30 April 2008	16 June 2011 to 16 June 2016	2.00	476,167	–	–	–	476,167
	30 April 2008	16 June 2012 to 16 June 2016	2.00	476,167	–	–	–	476,167
				953,000	–	–	–	953,000
Mr. Tan Jianyong	14 January 2011	14 January 2011 to 13 January 2012	3.28	–	3,000,000	–	–	3,000,000
	14 January 2011	14 January 2012 to 13 January 2013	3.28	–	1,500,000	–	–	1,500,000
	14 January 2011	14 January 2013 to 13 January 2014	3.28	–	1,500,000	–	–	1,500,000
				–	6,000,000	–	–	6,000,000

Name or category of grantees	Date of grant	Exercisable period	Exercise price (HK$)	Share options held at 1 January 2011	Share options granted during the period	Share options exercised during the period	Share options lapsed during the period	Share options held as at 30 June 2011
Ex-directors of the Company								
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	–	(532,000)	(1,064,000)	–
	28 July 2009	1 January 2011 to 31 December 2011	3.59	2,500,000	–	–	(2,500,000)	–
				2,500,000	–	–	(2,500,000)	–
Mr. Suo Lang Duo Ji	28 July 2009	1 January 2011 to 31 December 2011	3.59	400,000	–	–	(400,000)	–
				400,000	–	–	(400,000)	–
Mr. Wang Chun Lin	28 July 2009	1 January 2011 to 31 December 2011	3.59	2,500,000	–	–	(2,500,000)	–
				2,500,000	–	–	(2,500,000)	–
Mr. Zhang Songyi	28 July 2009	1 January 2011 to 31 December 2011	3.59	400,000	–	–	(400,000)	–
				400,000	–	–	(400,000)	–
	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)	–
				4,200,000	–	–	(4,200,000)	–

Name or category of grantees	Date of grant	Exercisable period	Exercise price (HK$)	Share options held at 1 January 2011	Share options granted during the period	Share options exercised during the period	Share options lapsed during the period	Share options held as at 30 June 2011
Employees of the Group	30 April 2008	16 June 2009 to 16 June 2016	2.00	4,246,168	–	(4,246,168)	–	–
	30 April 2008	16 June 2010 to 16 June 2016	2.00	2,198,834	–	(621,832)	(71,830)	1,505,172
	30 April 2008	16 June 2011 to 16 June 2016	2.00	9,304,667	–	–	(123,835)	9,180,832
	30 April 2008	16 June 2012 to 16 June 2016	2.00	9,305,333	–	–	(123,835)	9,181,498
				25,055,002	–	(4,868,000)	319,500	19,867,502
	28 July 2009	1 January 2011 to 31 December 2011	3.59	13,000,000	–	(9,299,000)	–	3,701,000
				13,000,000	–	(9,299,000)	–	3,701,000
	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
				20,800,000	–	(10,400,000)	–	10,400,000
	14 January 2011	14 January 2011 to 13 January 2012	3.28	–	81,160,000	(23,440,000)	–	57,720,000
	14 January 2011	14 January 2012 to 13 January 2013	3.28	–	40,580,000	–	–	40,580,000
	14 January 2011	14 January 2013 to 13 January 2014	3.28	–	40,580,000	–	–	40,580,000
				–	162,320,000	(23,440,000)	–	138,880,000

Name or category of grantees	Date of grant	Exercisable period	Exercise price (HK$)	Share options held at 1 January 2011	Share options granted during the period	Share options exercised during the period	Share options lapsed during the period	Share options held as at 30 June 2011
Director and employees of the Group	30 April 2008	16 June 2009 to 16 June 2016	2.00	6,355,168	–	4,246,168	–	2,109,000
	30 April 2008	16 June 2010 to 16 June 2016	2.00	3,433,834	–	(1,153,832)	(71,830)	2,208,173
	30 April 2008	16 June 2011 to 16 June 2016	2.00	11,016,500	–	–	(655,835)	10,360,665
	30 April 2008	16 June 2012 to 16 June 2016	2.00	11,016,500	–	–	(655,835)	10,360,665
				31,822,002	–	(5,400,000)	(1,383,500)	25,038,502
	28 July 2009	1 January 2011 to 31 December 2011	3.59	21,300,000	–	(9,299,000)	(5,800,000)	6,201,000
				21,300,000	–	(9,299,000)	(5,800,000)	6,201,000
	23 April 2010	1 January 2011 to 31 December 2011	2.64	15,000,000	–	(10,400,000)	(2,100,000)	2,500,000
	23 April 2010	1 January 2012 to 31 December 2012	2.64	15,000,000	–	–	(2,100,000)	12,900,000
				30,000,000	–	(10,400,000)	(4,200,000)	15,400,000
	14 January 2011	14 January 2011 to 13 January 2012	–	–	87,960,000	(23,440,000)	–	64,520,000
	14 January 2011	14 January 2012 to 13 January 2013	–	–	43,980,000	–	–	43,980,000
	14 January 2011	14 January 2013 to 13 January 2014	–	–	43,980,000	–	–	43,980,000
				–	175,920,000	(23,440,000)	–	152,480,000
				83,122,002	175,920,000	(48,539,000)	(11,383,500)	199,119,502

Compliance with the Code on Corporate Governance Practices

During the six months ended 30 June 2011, 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 Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange. 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 2011.

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 three 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. 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 2011, 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. Gao Zongze resigned as an independent non-executive Director and a member of the Audit Committee on 1 April 2011.

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Interim dividend and closure of register of members

With the Group achieving an outstanding profitability for the six months ended 30 June 2011, the Board resolved the payment of an interim dividend of HK4.165 cents (equivalent to approximately RMB3.428 cents per share) per share of the Company for the six months ended 30 June 2011 (six months ended 30 June 2010: HK5.2 cents), to be paid on or about 18 October 2011 to shareholders of the Company with their names recorded on the register of members of the Company at the close of business on 16 September 2011.

The register of members of the Company will be closed from 14 September 2011 to 16 September 2011, 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 share registrar, 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 2011.

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

To the Board of Directors of China Lumena New Materials Corp.
中國旭光高新材料集團有限公司
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial statements set out on pages 37 to 84 which comprise the condensed consolidated statement of financial position of China Lumena New Materials Corp. as of 30 June 2011 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".

BDO Limited
Certified Public Accountants
Chiu Wing Cheung Ringo
Practising Certificate no. P04434

Hong Kong, 26 August 2011

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

	Notes	Six months ended 30 June 2011 (Unaudited) RMB'000	2010 (Unaudited) RMB'000
Revenue	5	**2,236,122**	1,022,409
Cost of sales		**(780,867)**	(285,931)
Gross profit		**1,455,255**	736,478
Other revenue and gains	6	**50,728**	7,711
Selling and distribution expenses		**(68,019)**	(4,247)
Other operating expenses		**(202,326)**	(59,059)
Finance costs	7	**(203,842)**	(120,405)
Profit before income tax	8	**1,031,796**	560,478
Income tax expense	9	**(238,367)**	(203,569)
Profit for the period		**793,429**	356,909
Profit for the period attributable to:			
Owners of the Company		**774,450**	356,909
Non-controlling interests		**18,979**	–
		793,429	356,909
		RMB cents	RMB cents
Earnings per share for profit attributable to the owners of the Company during the period	11		
– Basic		**15.04**	18.34
– Diluted		**14.47**	18.32

Condensed Consolidated Statement of Comprehensive Income (Continued)

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit for the period	**793,429**	356,909
Other comprehensive income		
Exchange gain on translation of financial statements of foreign operations	**38,320**	11,283
Other comprehensive income for the period, net of tax	**38,320**	11,283
Total comprehensive income for the period, net of tax	**831,749**	368,192
Total comprehensive income attributable to:		
Owners of the Company	**812,770**	368,192
Non-controlling interests	**18,979**	–
	831,749	368,192

Condensed Consolidated Statement of Financial Position

As at 30 June 2011

	Notes	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*12*	**5,147,249**	2,419,315
Investment properties		**98,600**	–
Land use rights		**245,583**	82,582
Goodwill	*13*	**5,745,525**	8,386
Mining rights		**374,336**	380,717
Other intangible assets	*14*	**1,185,674**	17,588
Deposits and prepayments		**596,644**	5,651
		13,393,611	2,914,239
Current assets			
Inventories		**91,056**	8,035
Trade and other receivables	*15*	**1,214,059**	766,973
Tax recoverable		**3,763**	–
Pledged deposits		**156,414**	91,024
Cash and cash equivalents		**3,191,560**	1,134,564
		4,656,852	2,000,596
Current liabilities			
Trade and other payables	*17*	**611,529**	205,047
Borrowings	*18*	**1,203,469**	531,700
Loan commitment	*20*	**70,105**	–
Tax payable		**145,678**	15,409
		2,030,781	752,156
Net current assets		**2,626,071**	1,248,440
Total assets less current liabilities		**16,019,682**	4,162,679

Condensed Consolidated Statement of Financial Position (Continued)

As at 30 June 2011

	Notes	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Non-current liabilities			
Borrowings	*18*	**439,048**	–
Fixed rate senior notes	*19*	**1,551,671**	1,588,669
Convertible bonds	*20*	**671,610**	–
Deferred tax liabilities	*21*	**429,023**	30,616
		3,091,352	1,619,285
Net assets		**12,928,330**	2,543,394
EQUITY			
Share capital	*22*	**387**	145
Reserves		**12,927,943**	2,543,249
Total equity		**12,928,330**	2,543,394

On behalf of the Board

Director　　　　*Director*

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	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 equity RMB'000
(Unaudited)											
At 1 January 2010	143	684,624	–	33,441	103,539	(211,819)	226,514	66,768	–	885,032	1,788,242
Exercise of share options	1	2,107	–	(436)	–	–	–	–	–	–	1,672
Repurchase and cancellation of shares	(1)	(12,779)	1	–	–	–	–	–	–	(1)	(12,780)
Recognition of share-based payments	–	–	–	12,701	–	–	–	–	–	–	12,701
Transactions with owners	–	(10,672)	1	12,265	–	–	–	–	–	(1)	1,593
Profit for the period	–	–	–	–	–	–	–	–	–	356,909	356,909
Other comprehensive income - Exchange gain on translation of financial statements of foreign operations	–	–	–	–	–	–	–	11,283	–	–	11,283
Total comprehensive income for the period	–	–	–	–	–	–	–	11,283	–	356,909	368,192
Interim dividend declared	–	–	–	–	–	–	–	–	89,227	(89,227)	–
Lapse of share options	–	–	–	(1,731)	–	–	–	–	–	1,731	–
At 30 June 2010	143	673,952	1	43,975	103,539	(211,819)	226,514	78,051	89,227	1,154,444	2,158,027

* The total of these balances represents reserves in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2011

	Attributed 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	Convertible bond equity reserve* RMB'000	Dividend reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
(Unaudited)														
At 1 January 2011	145	762,890	1	33,242	103,539	(211,819)	306,304	90,062	–	93,000	1,366,030	2,543,394	–	2,543,394
Issue of Convertible bonds (note 20)	–	–	–	–	–	–	–	–	39,255	–	–	39,255	–	39,255
Issue of ordinary shares (note 22(b))	23	808,246	–	–	–	–	–	–	–	–	–	808,269	–	808,269
Acquisition of subsidiaries (notes 22(c) and 23)	216	8,911,798	–	–	–	–	–	–	–	–	–	8,912,014	187,409	9,099,423
Acquisition of non-controlling interests in subsidiaries	–	–	–	–	–	(201,548)	–	–	–	–	–	(201,548)	(206,388)	(407,936)
Expenses of share issues	–	(50,211)	–	–	–	–	–	–	–	–	–	(50,211)	–	(50,211)
Exercise of share options	3	141,192	–	(16,480)	–	–	–	–	–	–	–	124,715	–	124,715
Recognition of share-based payments	–	–	–	32,672	–	–	–	–	–	–	–	32,672	–	32,672
Dividend paid	–	–	–	–	–	–	–	–	–	(93,000)	–	(93,000)	–	(93,000)
Transactions with owners	242	9,811,025	–	16,192	–	(201,548)	–	–	39,255	(93,000)	–	9,572,166	(18,979)	9,553,187
Profit for the period	–	–	–	–	–	–	–	–	–	–	774,450	774,450	18,979	793,429
Other comprehensive income – Exchange gain on translation of financial statements of foreign operations	–	–	–	–	–	–	–	38,320	–	–	–	38,320	–	38,320
Total comprehensive income for the period	–	–	–	–	–	–	–	38,320	–	–	774,450	812,770	18,979	831,749
Interim dividend declared	–	–	–	–	–	–	–	–	–	193,600	(193,600)	–	–	–
Lapse of share options	–	–	–	(5,946)	–	–	–	–	–	–	5,946	–	–	–
At 30 June 2011	387	10,573,915	1	43,488	103,539	(413,367)	306,304	128,382	39,255	193,600	1,952,826	12,928,330	–	12,928,330

* The total of these balances represents reserves in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Net cash generated from operating activities	**1,236,475**	189,685
Net cash used in investing activities	**(445,752)**	(415,945)
Net cash generated from/(used in) financing activities	**1,270,269**	(27,865)
Net increase/(decrease) in cash and cash equivalents	**2,060,992**	(254,125)
Cash and cash equivalents at beginning of the period	**1,134,564**	929,467
Effect of foreign exchange rate changes on cash and cash equivalents	**(3,996)**	(6,183)
Cash and cash equivalents at end of the period	**3,191,560**	669,159

1. General Information

China Lumena New Materials 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 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). 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 Units 7503B, 7504 and 7505, Level 75, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

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

Pursuant to the acquisition transactions as fully explained in note 23, all the equity interest of Sino Polymer New Materials Co., Ltd. ("Sino Polymer") were acquired by the Group during the six months ended 30 June 2011. The acquisitions were completed on 14 January 2011 and 9 June 2011. Sino Polymer and its subsidiaries are principally engaged in manufacturing and selling of polyphenylene sulfide ("PPS") products including PPS resin, PPS fibre and PPS compounds.

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2011 (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 Company's annual financial statements for the year ended 31 December 2010.

1. General Information (Continued)

The Interim Financial Statements are unaudited, but have been reviewed by BDO Limited 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 26 August 2011.

2. Principal Accounting Policies

The Interim Financial Statements have been prepared under historical cost convention except for investment properties which have been measured at fair value.

Save as described below and in note 3 "Adoption of new/revised IFRSs", the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2010, as described in those annual financial statements.

2.1 Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are measured initially at cost, including directly attributable costs, and subsequently stated at fair value as determined by external professional valuers to reflect the prevailing market conditions at the end of the reporting period. Any gain or loss resulting from either a change in the fair value of disposal of an investment property is immediately recognised in profit or loss. Rental income from investment properties is accounted for on straight-line method over the lease terms.

2. Principal Accounting Policies (Continued)

2.1 Investment properties (Continued)

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the carrying value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is dealt with in property revaluation reserve. On disposal of the property, the property revaluation reserve is transferred to retained profits as a movement in reserves.

2.2 Customer relationship, patents and technical know-how acquired in a business combination

The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

2. Principal Accounting Policies (Continued)

2.3 Convertible bonds

The convertible bonds of USD120 million issued by the Company contain liability, conversion option and option to subscribe for additional convertible bonds. Upon issuance of the convertible bonds, the bondholders were also granted an option to subscribe for the additional convertible bonds in an aggregate principal amount of up to USD100 million (the "loan commitment"). The option is exercisable during the period commencing on the date of completion of the subscription for the convertible bonds and ending on the first anniversary of such date. As the convertible bonds can be converted to equity share capital at the option of the bondholders, where the number of share that would be issued on conversion and the value of consideration would be received at that time do not vary, they accounted for as compound financial instruments.

On initial recognition, allocation of the total proceeds between the convertible bonds of USD120 million and the loan commitment are made on relative fair value basis. The loan commitment is initially measured at fair value. The liability component of the convertible bonds of USD120 million is determined using a market rate for an equivalent non-convertible bond. The equity component of the convertible bonds of USD120 million is then the residual after deducting fair value of liability from the proceeds allocated to the convertible bonds of USD120 million. Transaction costs that relate to the issue of a compound financial instrument are allocated to the loan commitment, the liability and equity components in proportion to the allocation of proceeds.

2. Principal Accounting Policies (Continued)

2.3 Convertible bonds (Continued)

The liability component is subsequently carried as a long-term liability on the amortised cost basis until extinguished on conversion or redemption. Interest expenses recognised in profit or loss on the liability component are calculated using effective interest method. The initial carrying amount of the loan commitment is split into two portions as the additional convertible bonds will have both debt component and conversion option component. The portion of the loan commitment attributable to debt component is deferred and recognised as an adjustment to effective interest rate on debt component of the additional convertible bonds. The portion of the loan commitment attributable to the equity conversion option is recognised in revenue on time proportion basis over commitment period. The equity component is recognised in convertible bond equity reserve until either the convertible bonds are converted or redeemed.

If the convertible bonds are converted, the convertible bond equity reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the convertible bonds are redeemed, the convertible bond equity reserve is released directly to retained profits. If the loan commitment expires without making the loan, the portion of the loan commitment attributable to debt component is recognised as revenue on expiry.

3. Adoption of New/Revised IFRSs

Adoption of new/revised IFRSs – effective 1 January 2011

IFRSs (Amendments)	Improvements to IFRSs 2010
IAS 24 (Revised)	Related Party Disclosures
Amendments to IAS 32	Financial Instruments: Presentation
Amendments to IFRIC-Int 14	Prepayments of a Minimum Funding Requirement
IFRIC-Int 19	Extinguishing Financial Liabilities with Equity Instruments

IAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

The amendment alters IAS 32 Financial Instruments: Presentation so that rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own (non-derivative) equity instruments. Prior to the amendment, rights issues denominated in a foreign currency 'failed' equity classification and were required to be accounted for as derivative liabilities. The amendment is effective for annual periods beginning on or after 1 February 2010. This is not currently applicable to the Group, as it has not made any rights issue.

The amendment to IFRIC-Int 14 "Prepayments of a minimum funding requirement" is effective for annual periods beginning or after 1 January 2011. This is not currently relevant to the Group, as it does not have a minimum funding requirement.

3. Adoption of New/Revised IFRSs (Continued)

The IFRIC-Int 19 clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after 1 July 2010. This is not applicable to the Group, as it has no extinguishment of financial liabilities replaced with equity instruments currently.

The Group has not early adopted certain new standards, amendments to standards and interpretations that have been issued at the time of preparing the Interim Financial Statements but are not yet effective. The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the period beginning after the effective date of the pronouncements. The directors are also currently assessing the impact of these new standards, amendments to standards and interpretations but are not yet in a position to state whether they would have material impact on the results and the financial position of the Group.

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. The Group has identified the following reportable segments for its operating segments:

Mining and thenardite business	Processing and sale of powder thenardite, specialty thenardite and medical thenardite
PPS business (new segment during the period)	Manufacturing and selling of PPS products including PPS resin, PPS fibre and PPS compounds

4. Segment Information (Continued)

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. Reportable segment profit excludes share-based payment expense and corporate income and expenses from the Group's profit before income tax. Corporate income and expenses are income and expenses incurred by corporate headquarter which are not allocated to the operating segments. Each of the operating segments is managed separately as the resources requirement of each of them is different.

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

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

	Mining and thenardite business		PPS business		Total	
	Six months ended 30 June					
	2011 (Unaudited) RMB'000	2010 (Unaudited) RMB'000	**2011 (Unaudited) RMB'000**	2010 (Unaudited) RMB'000	**2011 (Unaudited) RMB'000**	2010 (Unaudited) RMB'000
Total segment revenue	**1,028,233**	1,022,409	**1,232,910**	–	**2,261,143**	1,022,409
Inter-segment revenue	**(25,021)**	–	**–**	–	**(25,021)**	–
Revenue from external customers	**1,003,212**	1,022,409	**1,232,910**	–	**2,236,122**	1,022,409
Reportable segment profit	**513,906**	602,962	**595,332**	–	**1,109,238**	602,962

4. Segment Information (Continued)

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

	Mining and thenardite business		PPS business		Total	
	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000	**30 June 2011 (Unaudited) RMB'000**	31 December 2010 (Audited) RMB'000	**30 June 2011 (Unaudited) RMB'000**	31 December 2010 (Audited) RMB'000
Reportable segment assets	**6,183,318**	4,741,035	**11,637,950**	–	**17,821,268**	4,741,035
Reportable segment liabilities	**2,463,288**	2,368,732	**2,646,841**	–	**5,110,129**	2,368,732

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	
	2011 (Unaudited) RMB'000	2010 (Unaudited) RMB'000
Reportable segment profit	**1,109,238**	602,962
Share-based payment expense	**(32,672)**	(12,701)
Depreciation and amortisation	**(1,274)**	(453)
Corporate income	**6,039**	31
Corporate expenses	**(49,535)**	(29,361)
Profit before income tax	**1,031,796**	560,478

5. Revenue

The Group's principal activities are disclosed in note 1 to the 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	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue from mining and thenardite business		
– Powder thenardite	**52,381**	72,531
– Medical thenardite	**424,854**	445,585
– Specialty thenardite	**525,977**	504,293
	1,003,212	1,022,409
Revenue from PPS business		
– Coating resin	**57,729**	–
– Injection resin	**76,276**	–
– PPS fibre	**188,596**	–
– PPS compounds	**909,719**	–
– Raw materials	**590**	–
	1,232,910	–
	2,236,122	1,022,409

6. Other Revenue and Gains

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Bank interest income	**11,667**	3,592
Government subsidy	**–**	300
Net foreign exchange gain	**33,862**	3,002
Rental income	**3,005**	–
Revaluation gain on investment properties	**1,000**	–
Sales of scrap materials	**445**	777
Others	**749**	40
	50,728	7,711

7. Finance Costs

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest expenses on:		
Bank borrowings wholly repayable within five years	**46,815**	11,274
Other borrowing wholly repayable within five years	**23,710**	–
Convertible bonds	**20,454**	–
Fixed rate senior notes	**105,842**	109,131
Finance income of loan commitment	**(1,195)**	–
Arrangement fee for bank borrowings	**8,216**	–
	203,842	120,405

8. Profit before Income Tax

Profit before income tax is arrived at after charging the following items:

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Amortisation of land use rights	**2,112**	651
Amortisation of mining rights	**6,382**	6,811
Amortisation of other intangible assets	**49,914**	–
Depreciation	**168,273**	35,833
Staff costs	**134,373**	45,979

9. Income Tax Expense

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current tax		
– Provision for PRC income tax	**255,864**	177,611
Deferred tax *(note 21)*	**(17,497)**	25,958
Income tax expense	**238,367**	203,569

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 2011 (six months ended 30 June 2010: 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 2011 (six months ended 30 June 2010: Nil).

9. Income Tax Expense (Continued)

Notes: (Continued)

(iii) The subsidiaries established in the People's Republic of China (the "PRC") are subject to PRC Enterprise Income Tax ("EIT").

(iv) Sichuan Chuanmei Mirabilite Co., Ltd. ("Chuanmei Mirabilite") and Sichuan Chuanmei Special Glauber Salt Co., Ltd. ("Chuanmei Special Glauber"), the subsidiaries of the Company, are subject to EIT tax rate of 25% for the six months ended 30 June 2011 (six months ended 30 June 2010: 25%).

(v) As a foreign invested company according to the "Income Tax Law for Enterprise with Foreign Investment and Foreign Enterprise" and approved by the relevant PRC tax authorities, Sichuan Deyang Chemical Co., Ltd ("Deyang Chemical") is exempted from the PRC income tax from 2007 to 2008, and is entitled to a 50% reduction in the PRC income tax for the subsequent three years from 2009 to 2011. Accordingly, the applicable EIT tax rate for Deyang Chemical for the six months ended 30 June 2011 is 12.5% (six months ended 30 June 2010: 12.5%).

(vi) Pursuant to the government circular of Chuan Gao Qi Ren 2009 No.1, Sichuan Deyang Special New Materials Co., Ltd ("Deyang New Materials") is designated as an advanced technology enterprise and is subject to preferential income tax rate of 15% for three years commencing 2009. Accordingly, the applicable EIT tax rate for Deyang New Materials for the six months ended 30 June 2011 is 15% (six months ended 30 June 2010: 15%).

10. Dividends

On 26 August 2011, the directors declared an interim dividend of HK4.165 cents per share (equivalent to approximately RMB3.428 cents per share) (six months ended 30 June 2010: RMB4.589 cents per share), amounting to RMB193,600,000 (six months ended 30 June 2010: RMB89,227,000). 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

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to the owners of the Company of RMB774,450,000 (six months ended 30 June 2010: RMB356,909,000) and the weighted average number of 5,149,182,000 (six months ended 30 June 2010: 1,946,120,000) ordinary shares in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to the owners of the Company of RMB794,904,000 (six months ended 30 June 2010: RMB356,909,000) and the weighted average number of 5,492,173,000 (six months ended 30 June 2010: 1,948,512,000) ordinary shares after adjusting for the effect of all dilutive potential ordinary shares under the Company's share option scheme and convertible bonds.

Profit attributable to owners of the Company (diluted)

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit attributable to the owners of the Company	**774,450**	356,909
Effective interest expense on convertible bonds	**20,454**	–
Profit used to determine diluted earnings per share	**794,904**	356,909

11. Earnings per Share (Continued)

(b) Diluted earnings per share (Continued)

Weighted average number of ordinary shares (diluted)

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	'000	'000
Weighted average number of ordinary shares used in basic earnings per share	**5,149,182**	1,946,120
Effect of deemed exercise or conversion of convertible bonds *(note 20)*	**332,063**	–
Effect of share options	**10,928**	2,392
Weighted average number of ordinary shares used in diluted earnings per share	**5,492,173**	1,948,512

12. Property, Plant and Equipment

During the six months ended 30 June 2011, the Group incurred capital expenditure of approximately RMB2,896,525,000, including those arising from the acquisition through business combination of RMB2,378,724,000 (note 23), which were incurred as to approximately RMB515,610,000 (six months ended 30 June 2010: RMB495,173,000) in construction in progress, approximately RMB6,890,000 (six months ended 30 June 2010: Nil) in motor vehicles, approximately RMB2,619,767,000 (six months ended 30 June 2010: RMB101,189,000) in furniture, machinery and equipment, of which approximately RMB613,749,000 (six months ended 30 June 2010: RMB40,981,000) was transferred from construction in progress upon completion, and approximately RMB531,285,000 (six months ended 30 June 2010: RMB621,240,000) in buildings and mining structures, of which approximately RMB163,278,000 (six months ended 30 June 2010: RMB621,240,000) was transferred from construction in progress upon completion.

13. Goodwill

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Acquisition of Chuanmei Mirabilite	**8,386**	8,386
Acquisition through business combination *(note 23)*	**5,737,139**	–
Net carrying amount	**5,745,525**	8,386

14. Other Intangible Assets

	Trademark RMB'000	Patents and technical know-how RMB'000	Customer relationship RMB'000	Total RMB'000
Cost				
At 1 January 2010 and at 1 January 2011	17,588	–	–	17,588
Acquisition of subsidiaries *(note 23)*	–	826,600	391,400	1,218,000
At 30 June 2011	17,588	826,600	391,400	1,235,588
Accumulated amortisation				
At 1 January 2010 and at 1 January 2011	–	–	–	–
Amortisation charge	–	(23,052)	(26,862)	(49,914)
At 30 June 2011	–	(23,052)	(26,862)	(49,914)
Net carrying amount				
At 30 June 2011 (Unaudited)	17,588	803,548	364,538	1,185,674
At 31 December 2010 (Audited)	17,588	–	–	17,588

Note:

Trademark as at the reporting date arose from acquisition of Chuanmei Mirabilite in 2004. The Group 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 rights as having indefinite useful life.

Purchased customer relationship and patents and technical know-how are amortised on the straight-line basis over their estimated useful lives of 6.67 years and 15 years respectively.

15. Trade and Other Receivables

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Trade receivables, net	**759,209**	598,200
Bills receivables	**15,443**	–
	774,652	598,200
Other receivables	**257,957**	32,226
Deposits and prepayments	**177,717**	136,547
Amounts due from related parties*	**3,733**	–
	1,214,059	766,973

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

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Outstanding balances with ages:		
– 90 days or below	**744,373**	367,824
– 91 – 180 days	**13,624**	193,246
– 181 – 365 days	**12,685**	36,157
– Over 365 days	**3,970**	973
	774,652	598,200

15. Trade and Other Receivables (Continued)

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.

* The amounts due from related parties are unsecured, interest-free and repayable on demand.

16. Pledge of Assets

The Group had pledged certain buildings, machinery and equipment and other assets to secure 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 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Buildings and mining structures	**–**	29,676
Land use rights	**–**	8,051
Machinery and equipment	**52,449**	245,093
Mining rights	**321,430**	293,394
Pledged deposits	**156,414**	91,024
	530,293	667,238

17. Trade and Other Payables

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Trade payables	**155,509**	60,247
Bills payables	**60,627**	–
	216,136	60,247
Other payables	**311,075**	97,822
Receipt in advance	**74,520**	46,978
Amounts due to related parties*	**9,798**	–
	611,529	205,047

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

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Outstanding balances with ages:		
– 90 days or below	**95,031**	40,251
– 91 – 180 days	**72,791**	5,997
– 181 – 365 days	**17,545**	6,179
– Over 365 days	**30,769**	7,820
	216,136	60,247

* The amounts due to related parties are unsecured, interest-free and repayable on demand.

18. Borrowings

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Secured:		
Bank loans	**1,253,469**	531,700
Unsecured:		
Other loan from a third party	**389,048**	–
	1,642,517	531,700

The maturity profile of the above borrowings is as follows:

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Current		
– Within one year	**1,203,469**	531,700
Non-current		
– In the second year	**439,048**	–
	1,642,517	531,700

18. Borrowings (Continued)

Movements in borrowings are analysed as follows:

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
At beginning of the period	**531,700**	356,500
New loans raised	**819,966**	225,000
Arising from business combination *(note 23)*	**1,367,023**	–
Interest expenses *(note 7)*	**70,525**	–
Interest paid	**(71,661)**	–
Repayment of borrowings	**(1,061,665)**	(126,500)
Exchange realignment	**(13,371)**	–
At end of the period	**1,642,517**	455,000

Notes:

(i) As at 30 June 2011, no RMB bank loan (at 31 December 2010: RMB20.0 million) was arranged at fixed interest rates (at 31 December 2010: 5.84% per annum).

(ii) As at 30 June 2011, the RMB bank loans of RMB757.7 million (at 31 December 2010: RMB511.7 million) were arranged at floating rate of 5.05% to 8.52% (at 31 December 2010: 5.05% to 6.37%) per annum.

(iii) As at 30 June 2011, the USD bank loan of RMB495.8 million (at 31 December 2010: Nil) was arranged at interest rate of LIBOR plus 9% to 11% margin per annum.

(iv) Other loan from a third party was arranged at fixed interest rate of 12% per annum as at 30 June 2011.

(v) 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 16.

(vi) The USD bank loan is guaranteed by certain subsidiaries of the Company.

(vii) No pledge of asset arranged in relation to the USD bank loan.

19. 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 principal 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.

19. Fixed Rate Senior Notes (Continued)

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:

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Carrying amount as at 1 January	**1,588,669**	1,616,755
Interest expenses *(note 7)*	**105,842**	217,933
Interest paid	**(98,245)**	(203,721)
Exchange realignment	**(44,595)**	(42,298)
Carrying amount as at 30 June/ 31 December	**1,551,671**	1,588,669
Fair value of the Notes as at 30 June/ 31 December*	**1,601,885**	1,550,444

* 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.

20. Convertible Bonds and Loan Commitment

On 7 April 2011, the Company entered into a subscription agreement (the "Subscription Agreement") with Stable Investment Corporation ("SIC"), a wholly-owned subsidiary of China Investment Corporation and CITIC Capital China Access Fund Limited ("CITIC Capital"). Pursuant to the Subscription Agreement, SIC and CITIC Capital agreed to subscribe for the convertible bonds of the Company in an aggregate principal amount of USD120,000,000 (equivalent to approximately RMB779,229,000) at 6% interest rate per annum (the "Convertible Bonds") with maturity on 12 May 2014 (the "Maturity Date"). In addition, the Company has granted SIC and CITIC Capital an option to subscribe for the additional convertible bonds in an aggregate principal amount of up to USD100,000,000 (the "Additional Convertible Bonds"), exercisable during the period commencing on the date of completion of the subscription for the Convertible Bonds and ending on the first anniversary of such date. The terms and conditions of the Additional Convertible Bonds will be the same as the terms and conditions of the Convertible Bonds as set out in the Subscription Agreement in all respects except for (i) the conversion price and (ii) the first payment of interest.

Interest of the Convertible Bonds is repayable quarterly in arrear on 31 March, 30 June, 30 September and 31 December commencing on 30 September 2011.

The Convertible Bonds are convertible at any time from and including the date falling 6 months from 13 May 2011 up to the close of business in Hong Kong on the day falling 7 days prior to the Maturity Date by the bondholders into ordinary share of the Company of USD0.00001 each at the option of the bondholders, at an initial conversion price of HKD2.81 per share (subject to adjustments as set out in the Subscription Agreement) and a fixed exchange rate of USD1.00 to HKD7.77581.

Assuming full conversion of the Convertible Bonds at the initial conversion price of HKD2.81, the Convertible Bonds will be convertible into approximately 332,063,060 ordinary shares of the Company. Those shares shall rank pari passu in all respects with all other existing shares outstanding at the date of the conversion.

20. Convertible Bonds and Loan Commitment (Continued)

The conversion price is subject to adjustment for consolidation, subdivision or reclassification, capitalisation of profit or reserves, distribution, right issues, issues at less than current market price; other issues of securities at less than current market price; modification of rights of conversion and other offers to the shareholders.

Unless previously redeemed, converted or purchased and cancelled, the Company will redeem the Convertible Bonds at 148.15% of its principal amount together with accrued and unpaid interest on the Maturity Date.

Upon the occurrence of the events of default as set out in the Subscription Agreement or in the event that the Company's shares cease to be listed or admitted to trading on the Stock Exchange, each bondholder shall have the right to require the Company to redeem all or some of that bondholder's Convertible Bonds at an amount equal to 100% of the principal amount of the Convertible Bonds plus a gross compound yield of 20% per annum, calculated on a yearly basis.

Further details regarding the issue of the Convertible Bonds have been set out in the announcements of the Company dated 7 April 2011 and 13 May 2011. The transaction of the Convertible Bonds was completed on 13 May 2011.

The Convertible Bonds contain liability, conversion option and option to subscribe for Additional Convertible Bonds (the "Loan Commitment"). The total proceeds received had been allocated into the Convertible Bonds and the Loan Commitment. The allocation should be made on relative fair value basis.

The fair value of the Loan Commitment is calculated using the Black Scholes Options Pricing model. The fair value of the liability component of the Convertible Bonds is determined using the prevailing market interest of similar non-convertible debts. The difference between the fair value of the Convertible Bonds and the fair value assigned to the liability component, representing the option for conversion of the convertible notes into equity, is included in equity as convertible bond equity reserve. The effective interest rate of the liability component is 25.97%.

20. Convertible Bonds and Loan Commitment (Continued)

The movement of the liability and equity components of the Convertible Bonds, and the Loan Commitment is set out as below:

	Liability component (Unaudited) RMB'000	Loan Commitment (Unaudited) RMB'000	Equity component (Unaudited) RMB'000
Fair value on initial recognition	667,079	72,440	39,711
Direct transaction costs	(7,649)	(831)	(456)
	659,430	71,609	39,255
Interest expenses *(note 7)*	20,454	–	–
Interest paid	(5,154)	–	–
Recognised in profit or loss *(note 7)*	–	(1,195)	–
Exchange realignment	(3,120)	(309)	–
Carrying amount as at 30 June 2011	671,610	70,105	39,255

20. Convertible Bonds and Loan Commitment (Continued)

Analysed for reporting purposes as follows:

	Liability component (Unaudited) RMB'000	Loan Commitment (Unaudited) RMB'000	Equity component (Unaudited) RMB'000
Loan commitment included in current liabilities	–	70,105	–
Convertible bonds included in non-current liabilities	671,610	–	–
Equity component included in convertible bond equity reserve	–	–	39,255
	671,610	70,105	39,255

21. Deferred Tax Liabilities

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

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
At 1 January	**30,616**	30,616
Arising from business combination *(note 23)*	**415,904**	–
Charged to profit or loss	**(17,497)**	–
At 30 June/31 December	**429,023**	30,616

21. Deferred Tax Liabilities (Continued)

The major deferred tax liability recognised during the period is as follows:

	Withholding tax on the unremitted earnings RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Total RMB'000
At 1 January 2011 (audited)	30,616	–	30,616
Arising from business combination *(note 23)*	–	415,904	415,904
Charged to profit or loss	–	(17,497)	(17,497)
At 30 June 2011 (unaudited)	30,616	398,407	429,023

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 2011.

As at 30 June 2011, deferred tax liabilities of approximately RMB30,616,000 (at 31 December 2010: RMB30,616,000) were recognised in respect of the undistributed retained earnings of the PRC subsidiaries. The aggregate amount of temporary differences associated with the PRC subsidiaries' undistributed retained earnings for deferred tax liabilities have not recognised are RMB1,884,659,000 (at 31 December 2010: RMB1,407,945,000). No deferred tax liabilities have been recognised in respect of these differences because the Group is in a position to control the dividend policies of these PRC subsidiaries and it is probable that such differences will not be reversed in the foreseeable future.

21. Deferred Tax Liabilities (Continued)

At the reporting date, the Group's unused tax loss available for offset against future profits, not recognised as deferred tax assets, is approximately RMB85,696,000 (equivalent to approximately HKD103,087,000) (at 31 December 2010: RMB88,263,000 (equivalent to approximately HKD103,087,000)). No deferred tax asset has been recognised in respect of this tax loss due to unpredictability of future profit streams. Under the current tax legislation in Hong Kong, the tax loss may be carried forward indefinitely.

22. Share Capital

	Number of ordinary shares of USD0.00001 each	Nominal value USD	RMB'000
Authorised:			
At 1 January, 2010,	5,000,000,000	50,000	385
Increase in share capital *(note (a))*	5,000,000,000	50,000	333
At 31 December 2010, 1 January 2011 and 30 June 2011	10,000,000,000	100,000	718
Issued and fully paid:			
At 1 January 2010	1,950,657,500	19,507	143
Exercise of share options	38,501,164	385	3
Repurchase and cancellation of shares	(7,436,000)	(74)	(1)
At 31 December 2010 and 1 January 2011	1,981,722,664	19,818	145
Issue of placing and subscription shares *(note (b))*	340,000,000	3,400	23
Issue of consideration shares for acquisition of subsidiaries *(note (c))*	3,277,552,343	32,776	216
Exercise of share options	48,539,000	485	3
At 30 June 2011	5,647,814,007	56,479	387

22. Share Capital (Continued)

Notes:

(a) Pursuant to an ordinary resolution passed on 30 December 2010, the authorised share capital of the Company was increased from USD50,000 to USD100,000 by the creation of 5,000,000,000 additional shares of USD0.00001 each, ranking pari passu in all respects with the existing shares of the Company.

(b) On 25 January 2011, Nice Ace Technology Limited ("Nice Ace") entered into a placing and subscription agreement (the "Placing and Subscription Agreement") with BOCI Asia Limited, BOCOM International Securities Limited and Morgan Stanley & Co. International PLC (the "Joint Placing Agents") and the Company. Pursuant to the Placing and Subscription Agreement, Nice Ace agreed to place, through the Joint Placing Agents, 340,000,000 existing shares of the Company (the "Shares") to not less than six placees, at a price of HKD2.81 per Share and Nice Ace conditionally agreed to subscribe for such number of Shares as is equal to the number of Shares sold by Nice Ace at a price of HKD2.81 per Share.

On 7 February 2011, the said placing and the subscription was completed and the Company received proceeds of approximately HKD955,400,000 (equivalent to approximately RMB808,269,000) from the subscription. Part of the proceeds amounting to approximately RMB23,000 was recorded as share capital, the remaining proceeds of approximately RMB808,246,000 was recorded in the share premium account.

(c) As disclosed in notes 23(a) and 23(b), the Company issued 3,277,552,343 consideration shares in aggregate as part of the consideration for the acquisition of equity interests in Sino Polymer. The fair value of the consideration shares, determined based on the closing market price of the Company on the acquisition dates of HKD3.22 per share and HKD2.91 per share, amounted to HKD10,072,300,000 (equivalent to approximately RMB8,550,339,000) and HKD435,071,000 (equivalent to approximately RMB361,675,000), respectively. The issue of the consideration shares has resulted in the increase in share capital and share premium account of the Company by RMB216,000 and RMB8,911,798,000, respectively.

23. Business Combinations

(a) Acquisition of approximately 94.1% equity interest in Sino Polymer

On 19 October 2010, the Company entered into the sale and purchase agreement regarding the acquisition of up to 95% but not less than 89.49% of the equity interest in Sino Polymer subject to the terms as set out in the sale and purchase agreement.

On 14 January 2011, the Company obtained the control of Sino Polymer and formally completed the acquisition of approximately 94.1% of the equity interest in Sino Polymer (the "Acquisition"), marking its entry into the PPS new materials market. The consideration of the Acquisition is approximately RMB9,479 million and was satisfied as to (i) approximately RMB929 million by cash and (ii) approximately RMB8,550 million by issuing 3,128,043,403 new shares of the Company at an issue price of HKD3.22 per share (the "Consideration Shares").

The Acquisition is accounted for using acquisition method (IFRS 3 revised). The directors believe that the Acquisition would enable the Group to make a meaningful step in its stated strategic direction to focus on downstream thenardite products, also the Group would broaden its sources of income and strengthen the Group's ability to produce higher quality products, reduce cost through operational synergies and generate better investment returns to the shareholders.

23. Business Combinations (Continued)

(a) Acquisition of approximately 94.1% equity interest in Sino Polymer (Continued)

The fair values of the identifiable assets and liabilities of Sino Polymer, as at the acquisition date and the corresponding carrying amounts immediately prior to the Acquisition are as follows:

	Fair value RMB'000	**Carrying amount** RMB'000
Property, plant and equipment	2,378,724	1,943,152
Prepaid lease payments	164,300	119,835
Investment properties	97,600	97,600
Intangible assets	1,218,000	70,850
Deposits and prepayments	233,035	233,035
Inventories	63,524	63,524
Trade and other receivables	369,751	369,751
Amounts due from related parties	186,462	186,462
Pledged deposits	68,088	68,088
Cash and cash equivalents	1,488,253	1,488,253
Trade and other payables	(284,419)	(284,419)
Financial liability in respect of the warrants settled by cash *(note (i))*	(115,288)	(115,288)
Amounts due to related parties	(1,128)	(1,128)
Borrowings	(1,367,023)	(1,306,666)
Tax payables	(153,969)	(153,969)
Deferred tax liabilities	(415,904)	(9,107)
Amount of identified net assets acquired	3,930,006	2,769,973
Less: Fair value of the consideration transferred for the Group's 94.1% interest in Sino Polymer *(note (ii))* plus	9,479,736	
Non-controlling interests of the identified net assets	187,409	
	9,667,145	
Goodwill	5,737,139	

23. Business Combinations (Continued)

(a) Acquisition of approximately 94.1% equity interest in Sino Polymer (Continued)

	RMB'000
Purchase consideration settled in cash	929,397
Less: Cash and cash equivalents in subsidiaries acquired	(1,488,253)
Net cash inflow	558,856

Notes:

(i) On 5 November 2010, Sino Polymer issued USD90 million senior secured fixed term notes together with new warrants to Credit Suisse AG and/or a group of financial institutions arranged by Credit Suisse AG (the "New Investors").

On 9 November 2010, Sino Polymer created and issued new warrants to the New Investors which give the right to purchase the equity interests representing up to approximately 2.57% of the Sino Polymer's fully diluted share capital, subject to the terms and conditions of the warrant instrument. Pursuant to the warrant instrument, the new warrants will automatically be exercised prior to the completion of Acquisition (note (a)), and settled with new shares of Sino Polymer or cash (at the option of the warrant holders).

On 7 January 2011, all new warrants were exercised by the warrant holders. Some of the warrant holders elected for settlement with shares of Sino Polymer and the remaining warrant holders elected for settlement with cash as further described below.

Warrant Holders, representing an aggregate of approximately 1.38% of the Sino Polymer's fully diluted share capital as immediately before the completion of Acquisition, elected for settlement with the shares of Sino Polymer. They further elected to receive a reduced number of the shares of Sino Polymer in lieu of paying the purchase price payable to Sino Polymer for the shares to be issued to them. Accordingly, 1,140,067 shares representing approximately 1.34% of the Sino Polymer's fully diluted share capital were issued to them.

The remaining Warrant Holders, representing an aggregate of approximately 1.19% of the Sino Polymer's fully diluted share capital (the "Remaining Warrant Holders"), elected for cash settlement. Accordingly, 1,009,599 shares of Sino Polymer were issued to the Remaining Warrant Holders. The Remaining Warrant Holders would continue to hold the shares until three months after the completion of the Acquisition when the shares held by them would be repurchased by Sino Polymer against payment of the cash settlement amount. On 13 April 2011, Sino Polymer repurchased 1,009,599 ordinary shares of USD0.5 each from the Remaining Warrant Holders at an aggregate price of approximately USD17,334,701 (equivalent to approximately RMB115,288,000).

23. Business Combinations (Continued)

(a) Acquisition of approximately 94.1% equity interest in Sino Polymer (Continued)

Notes: (Continued)

(i) (Continued)

As there is an obligation for Sino Polymer to repurchase its own shares from the Remaining Warrant Holders, the non-controlling interest of 1.19% held by the Remaining Warrant Holders should be accounted for as if the underlying shares were acquired on the date the Remaining Warrant Holders elected for cash settlement, which should be derecognised and a liability to repurchase own equity instruments is recognised at the date of Acquisition.

(ii) The fair value of the consideration at the acquisition date comprises:

	RMB'000
Cash	929,397
Consideration Shares *(note (iii))*	8,550,339
Total purchase consideration	9,479,736

(iii) The fair value of the shares issued (3,128,043,403 ordinary shares of the Company as disclosed in note 22(c)) was determined by reference to their quoted market price of HKD3.22 at the date of acquisition.

(iv) The goodwill is attributable to the business of manufacturing and selling of polyphenylene sulfide in the PRC and such Acquisition enables the Group to develop downstream thenardite products and broaden its source of income arising from the business of polyphenylene sulfide in the PRC.

(v) The acquisition-related costs of RMB20,589,000 have been expensed and are included in other operating expenses.

(vi) The fair value and the gross amount of trade and other receivables amounted to RMB369,751,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

(vii) Since the acquisition date, Sino Polymer has contributed RMB1,233,000,000 and RMB523,000,000 to Group's revenue and profit or loss. If the acquisition had occurred on 1 January 2011, Group revenue and profit would have been RMB2,294,000,000 and RMB678,000,000 respectively.

23. Business Combinations (Continued)

(b) Effects of change in ownership interest in Sino Polymer without change of control on the equity attributable to owners of the Company

Acquisition of non-controlling interest of approximately 4.77% in Sino Polymer

On 4 June 2011, the Company entered into sales and purchase agreement with Potential Holdings Group Ltd ("Potential Holdings"), a 4.77% equity holder of Sino Polymer, pursuant to which the Company agreed to acquire and Potential Holdings agreed to dispose of 4.77% equity interest in Sino Polymer for a consideration of USD71,530,270 (equivalent to approximately RMB407,936,000). Upon the completion of the acquisition of this further 4.77% interest in Sino Polymer (the "Non-Controlling Interest Acquisition"), the Group is entitled to 100% interest in Sino Polymer.

Pursuant to the agreement, the consideration for the Non-Controlling Interest Acquisition is satisfied in the following manners:

– 10% of which (being USD7,153,027, equivalent to HKD55,650,550), is to be satisfied by payment either in USD or in HKD in cash; and

– 90% of which (being USD64,377,243, equivalent to HKD500,854,950) is to be satisfied by the allotment and issue of 149,508,940 ordinary shares by the Company at the issue price of HKD3.35 per share upon completion.

Under the agreement, the cash consideration will be paid by the Company within two months after the completion date.

23. Business Combinations (Continued)

(b) Effects of change in ownership interest in Sino Polymer without change of control on the equity attributable to owners of the Company (Continued)

Acquisition of non-controlling interest of approximately 4.77% in Sino Polymer (Continued)

The Non-Controlling Interest Acquisition was completed on 9 June 2011.

	RMB'000
Consideration	407,936
Less: Net assets acquired	(206,388)
Excess of consideration paid recognised within equity *(note (i))*	201,548
To be satisfied by:	
Cash	46,261
Consideration shares at fair value *(note (ii))*	361,675
	407,936

Notes:

(i) The excess of the consideration paid of RMB201,548,000 over the carrying values of the underlying assets and liabilities attributable to the additional interests in Sino Polymer was recognised directly in equity as at 30 June 2011.

(ii) The fair value of the shares issued (149,508,940 ordinary shares of the Company as disclosed in note 22(c)) was determined by reference to their quoted market price of HKD2.91 at the date of acquisition.

24. Operating Lease Commitments

The Group as lessee

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

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Within one year	14,616	6,517
In the second to fifth years	18,835	10,368
	33,451	16,885

The Group leases a number of properties under operating leases. The leases run for an initial period of 1 to 5 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 Group as lessor

The Group leases out its investment properties under operating lease for the period. None of the lease includes contingent rentals. The properties held have committed tenants for 10 years. At the reporting date, future minimum rental receivables under non-cancellable operating lease falling due as follows:

	30 June 2011 (unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Within one year	8,007	–
In the second to fifth years	32,000	–
Over five years	28,000	–
	68,007	–

25. Capital Commitments

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

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Contracted, but not provided for:		
– additions to property, plant and equipment	**494,154**	173,461

26. Contingent Assets and Liabilities

The Group did not have significant contingent assets and liabilities as at 30 June 2011 (at 31 December 2010: Nil).

27. Events after the Reporting Date

(a) On 27 September 2010, the Group entered into a memorandum of understanding with Sichuan Yinglin Enterprises, Tong Jing and Tong Xiaochuan ("Yinglin Vendors") in respect of the acquisition of the entire equity interest in Sichuan Yinglin Enterprises Group Danling Industry Company Limited ("Yinglin Danling") and Sichuan Yinglin Enterprises Group Pengshan Chuan Industry Company Limited ("Yinglin Pengshan").

Yinglin Danling and Yinglin Pengshan are principally engaged in the mining and production of thenardite products. Each of them holds a valid mining right permit in a mining area which is located in Sichuan, the PRC.

27. Events after the Reporting Date (Continued)

(a) (Continued)

On 6 June 2011, the Company, Chuanmei Special Glauber and the Yinglin Vendors entered into the sale and purchase agreement in respect of the acquisition of Yinglin Danling and Yinglin Pengshan (the "Framework Agreement"), pursuant to which, subject to the entering into of the further agreement, Chuanmei Glauber Salt, as the purchaser, has conditionally agreed to acquire, and the Yinglin Vendors have conditionally agreed to sell, all the equity interest of Yinglin Danling and Yinglin Pengshan at an aggregate consideration of RMB320 million. Upon the completion, the Company will, through Chuanmei Glauber Salt, own the entire equity interest in Yinglin Danling and Yinglin Pengshan.

The consideration for the acquisition will be settled by the Company as to (a) RMB200 million of which is to be satisfied by payment in cash and (b) RMB120 million of which is to be satisfied by means of convertible notes in the aggregate principal amount of RMB120 million to be issued by the Company to the Yinglin Vendors upon the completion of acquisition (the "Convertible Notes").

The Convertible Notes bear interest at the rate of 1% per annum with maturity on the first anniversary of the date of issue of the Convertible Notes. The Convertible Notes are convertible at any time from the date of issue of the Convertible Notes up to the maturity date. If the Yinglin Vendors do not exercise the conversion right under the Convertible Notes, the Company shall repay the principal amount of the Convertible Notes at maturity. Upon full conversion of the Convertible Notes, an aggregate of 40,967,283 conversion shares will be issued by the Company at the conversion price of HKD3.515 per conversion share.

Because of the control of Yinglin Danling and Yinglin Pengshan have not been passed to the Company as at the date of approval of these interim financial statements, the acquisition and the issue of the Convertible Notes have had no effect on the Interim Financial Statements.

27. Events after the Reporting Date (Continued)

(a) (Continued)

Further details of the terms and conditions of the Convertible Notes will be agreed among Chuanmei Glauber Salt, the Company and the Yinglin Vendors upon the execution of the further agreement.

(b) On 14 July 2011, the Company granted 536,600,000 share options to certain directors and employees at a consideration of HKD1 for each grant and at an exercise price of HKD3.01 per share, under the share option scheme of the Company adopted on 26 May 2009. The options will be exercisable during the period from 14 July 2011 to 14 July 2014 in three batches. Details of the share options granted are set out in the Company's announcement dated 14 July 2011. The issue of these share options has had no effect on the Interim Financial Statements. However, the share option expenses will be recognised for the year ending 31 December 2011. The directors are currently assessing the impact but consider that the amount of the expenses cannot be reasonably estimated at this stage.