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

ANNUAL
REPORT
2011

Contents

Vision and Mission

Vision

To become the largest polyphenylene sulfide and thenardite producer in the world

Mission

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

Corporate Information

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

Executive Directors

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

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

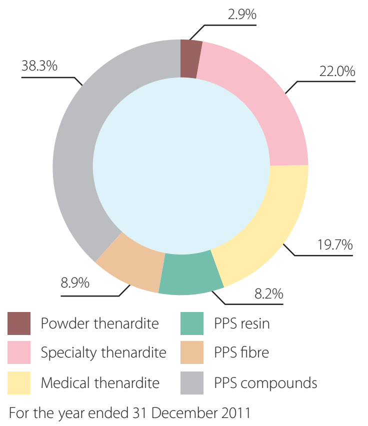
67

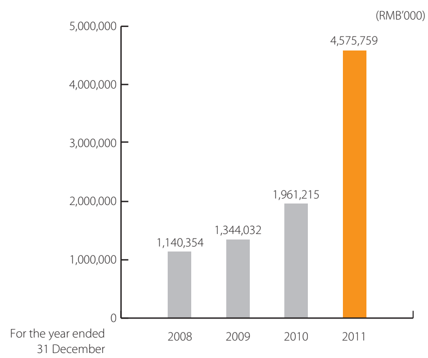
Website

www.lumena.hk

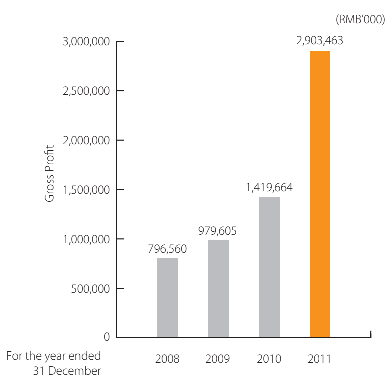
Financial Highlights

Revenue

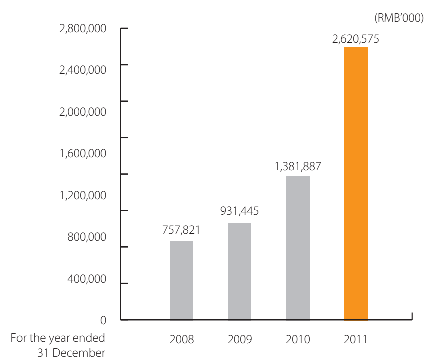




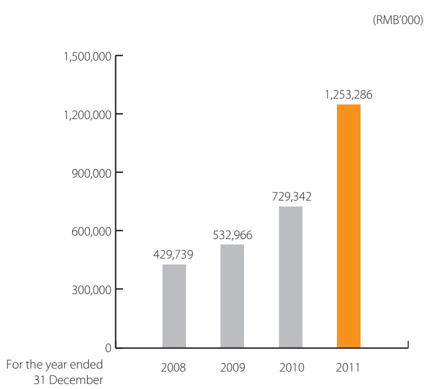
Gross profit



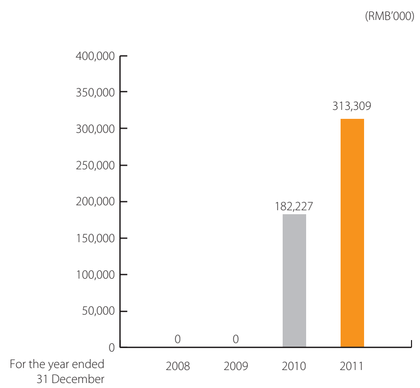
EBITDA



Profit for the period attributable to owners of the Company



Dividends



Chairman's Statement

Dear shareholders,

It is my pleasure to present to you the 2011 annual report of China Lumena New Materials Corp. (the "Company", together with its subsidiaries, the "Group", "we" or "us").

Market Review

Sales of polyphenylene sulfide ("PPS") and thenardite were driven in 2011 by China's sustained economic growth, urbanization and industrialization. On the other hand, benefiting from favourable state policies, demands for PPS and thenardite have been increasing with the growth momentum extending on.

Review on PPS Market

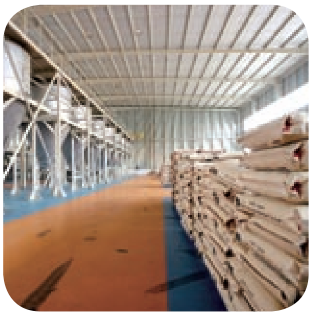
According to the 12th Five-Year Plan released by the Chinese government, the average annual growth rate of the new materials industry is expected to be 25% during 2011-2015, and the market size for the industry could reach RMB2 trillion. The 12th Five-Year Plan also aims to foster 10 leading new materials groups by 2015 with over RMB15 billion annual revenue from new materials each.

According to SRI Consulting, IHS Inc. ("SRI Consulting"), an independent research institute, demand for PPS from China has been increasing, stimulating the demand of major end markets of PPS, due to the rapid growth in recent years' industrial production and favourable government policies and regulations. China's total demand for PPS has been increasing from 41,000 tonnes in 2010, and an average annual growth rate of up to 20% for the next five years is expected. A double in the worldwide demand for PPS can also be expected.

Development of high-tech industries has, in the 12th Five-year Plan, become a significant policy for the country's future development. In particular, PPS has been adopted in China as a kind of new materials in the fourth chapter of the *Guidelines for the Major Fields of High Technology Industries Given Priority in Development at Present (2011)* and a "Key product in the new materials industry under the 12th Five-year Plan", entitling to the state's dedicated fostering and development. Under the favourable state policies and driven by the continuous development in China' industry, demand for PPS is going to see increasing growth. The state environmental regulations also bring about great opportunities for PPS fibre used for manufacture of filters and environmental filter bags and it is expected that the growth momentum of the PPS market in China will be maintained.

Chairman's Statement

Due to the high standard of requirements and entry barriers upon PPS industry, leading to a less competitive PPS production industry in China, its overall production capacity is insufficient to satisfy its domestic demand, and approximately 50% of the PPS therefore need to be imported from America and Japan. The violent earthquake hit Japan in March 2011, affected its local PPS production, and consequently caused a reallocation of market share among China and Asian market, which brought new customer sources to mainland PPS producers.



Review on Thenardite Market

Due to the volatility of global economy in 2011, the market demand for thenardite is similar to that of 2010. Driven by the rapid industrialization development, the demand for thenardite in China and Asia continuously increases. China, with the most extensive reserves of glauberite and as the largest thenardite producer, consumer and exporter in the world, has significant advantages in terms of quality and price as compared to other producers. The strongly growing Asian market provides China's thenardite industry with huge business opportunities. However, on the market supply side, from the fourth quarter of 2011, some thenardite producers started to supply specialty thenardite to the market. This would bring pressure on pricing of specialty thenardite.

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 rising awareness on health in China in the recent years, medical thenardite market has experienced a rapid growth. In June 2011, Sichuan Food and Drug Administration pushed out statutes on medical thenardite to straighten out the industry, which made the medical thenardite market even healthier. Thenardite is one of the major raw materials of PPS, the rapidly increasing demand in PPS during the year accordingly triggered demand for thenardite. It is expected that, prompted by PPS, sales of thenardite will continue to rise, resulting in a synergistic effect.

Operating Results

During the year, we successfully acquired Sino Polymer New Materials Co., Ltd. ("Sino Polymer", and together with its subsidiaries, the "Sino Polymer Group"), promoting itself to be a vertically integrated high-tech material enterprise, and the largest PPS producer in the world, and leading to a revenue growth. Besides, we launched high-end downstream thenardite products with higher value-added, such as clinical medical thenardite and thenardite medicines, thereby achieving a satisfactory growth in its operating results in 2011.

Our revenue increased from RMB1,961.2 million in 2010 to RMB4,575.8 million for the year ended 31 December 2011, representing an increase of 133.3%. Among which, proportions of revenue from PPS business and thenardite business were 55.4% and 44.6%, respectively. In 2011, our gross profit was RMB2,903.5 million, representing an increase of 104.5% from RMB1,419.7 million in 2010. The increase in our revenue and gross profit was attributable to the completion of the acquisition of Sino Polymer 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. Our overall gross profit margin was 63.5% in 2011, representing a decrease of approximately 8.9 percentage points from 72.4% in 2010. The decrease in our overall gross profit margin was primarily attributable to a change in our product mix to include PPS products following our successful acquisition of Sino Polymer on the Completion Date of Acquisition, full year revenue contribution from animal feed thenardite and pricing pressure from the new specialty thenardite competitors in the fourth quarter of 2011. The gross profit margins of PPS and thenardite are 59.1% and 66.7% respectively for the year ended 31 December 2011.

Business Review

PPS segment

During the year, we completed the acquisition of Sino Polymer, and became one of the world's leading manufacturers of chemical and new materials, a significant milestone of the Group. According to SRI Consulting, as at 31 December 2010, we were the largest PPS resin producer in the world in terms of production capacity. In the markets of electrical/electronic, automotive/transportation and industrial/machinery, applications for PPS products are well established. Under the prompting of supportive state policies, utilization of PPS products in the environmental industry became more and more popular.

To address the shortage of PPS supply and to cope with the fast growing market demand driven by the environmental industry in the future, we took proactive approaches in expanding the production capacity of PPS business. During the year, we commenced the expansion of PPS resin production line and PPS fibre production line. The PPS expansion construction will be completed in phases. The phase one construction of resin production line and fibre production line is expected to complete by the end of 2012, at which time our annual production capacities of PPS resin and PPS fibre could reach 55,000 tonnes per annum ("tpa") and 20,000 tpa, respectively. We are commencing the phase two construction of resin production line and it is expected to complete in the second half of 2013, at which time our annual production capacity of PPS resin will be further increased by 25,000 tpa.

Thenardite segment

Following the continuous increase of domestic demand and improvement in living standard, market demand for thenardite also undertook a further growth in the PRC. We are among the largest thenardite producers in the world, and operate four mining areas. The medical reform implemented in recent years provided the pharmaceutical industry with enormous business opportunities. We are the only approved and certified medical thenardite producer in China, having successful experiences in research and development of medical thenardite. Additionally, the seven thenardite production process technologies of Sichuan Chuanmei Mirabilite Co., Ltd., and Sichuan Chuanmei Special Glauber Salt Co., Ltd., subsidiaries of the Company, have been granted relevant invention patent certificates by the State Intellectual Property Office, practically strengthening technology protection for our thenardite production, and providing powerful technological support on the expansion to thenardite market.

In April 2011, the clinical medical thenardite and thenardite medicines developed by us have been duly launched into market and was well received by the market, now being used in hospitals and by consumers. Market demand for medical thenardite is expected to increase continuously in the future, creating rapidly increasing revenue for us. As at 31 December 2011, sales of medical thenardite have accounted for 44.1% of the thenardite-generated revenue for the year.

Raising of the recognition of enterprise and brand

As the single largest PPS resin producer and one of the largest thenardite producers in the world, we have achieved a wide variety of awards and certifications during the year in terms of criteria of production technology, utilization of products and technology development. The relevant awards represent recognitions and acknowledgements on us from the state and the industries, which would further raise our recognition.

Research and Development

We expended great efforts in research and development of high-end PPS and thenardite products, so as to improve our gross profit margin and revenue. During the year, we have successfully produced environmental-friendly low-chlorine PPS resin and developed film-grade PPS resin, being applied to photovoltaic cell, and PPS alloy, being applied to railway insulator and fastening pieces for high speed railway, as well as PPS fireproofing material. In May 2011, we entered into a letter of intent with XJ Electric Co., Ltd. to jointly undertake the research and development of battery cell technology for commercial motor vehicles. Besides, the Company has developed more new products and applications applied in motor components and sanitary wares.

Meanwhile, we committed ourselves to the development of downstream thenardite products. The clinical medical thenardite and thenardite medicines manufactured by us have been successfully launched into the market in April 2011, put into use in hospitals and by consumers, and currently recorded a stable sales growth. Also, we are engaged in the development of other specialty thenardite products and medical thenardite downstream products, aiming to further expand the application fields of thenardite.

Future Prospect

In view of the wide application scope of PPS and thenardite products, demands for PPS and thenardite are expected to increase continuously, suggesting a tremendous potential. As one of the leading new materials producers in the world, we are going to seize this opportunity, and enhance our efforts in expanding our two main businesses, so as to further strengthen our leading position in the industry.

Grasping opportunities brought about by the 12th Five-year Plan and vigorously expanding PPS production capacity

PPS has been widely used in various fields, and has been adopted in the State's 12th Five-year Plan for dedicated fostering and development. In recent years, China puts more and more emphasis on the environmental protection, and promulgated more stringent emission standards. China's future demand for PPS is anticipated to rise increasingly. To meet the rapidly growing market demands, we commenced the expansion of PPS resin production line and PPS fibre production line during the year. The PPS expansion construction will be completed in phases. The phase one construction of resin production line and fibre production line is expected to complete by the end of 2012, at which time our annual production capacities of PPS resin and PPS fibre could reach 55,000 tpa and 20,000 tpa, respectively. The phase two construction of resin production line is expected to complete in the second half of 2013, at which time our annual production capacity of PPS resin will be further increased by 25,000 tpa. In future, the Group plans to cooperate with the top scientific research teams in the PRC to jointly develop the high-end PPS products.

Continuous expansion of downstream medical thenardite products to expand the segment market

Due to the great efforts expended in the medical reform, as well as the rapid economic development and rising awareness on health in China in recent years, pharmaceutical market constantly increases. Thenardite is a common raw material for Chinese medicines and can be widely used in clinical and Chinese medicine production with a huge future market demand. As the only approved and certified medical thenardite producer in China, we will, leveraging on our advantages, committed ourselves to the expansion of medical thenardite business, energetically developing downstream thenardite products, especially higher value-added clinical thenardite medicines, so as to make our entire industrial chain of thenardite more comprehensive, and resource utilization and cost control more efficient.

Appreciation

The various achievements made by the Group in 2011 were solely attributable to the dedication of all staff. I hereby wish to express my appreciation to the fellow members of the Board, senior executives and all staff for their devotion during the year. At the same time, I also wish to express my deepest gratitude to the long-term support of our shareholders, noteholders, customers and suppliers. The Group has great confidence in its future prospects. Under the leadership of our experienced management, we are sure that our Group will achieve more excellent results and bring maximum return to our investors.

Management Discussion and Analysis

Financial Review

Income

For the year ended 31 December 2011, our revenue increased to approximately RMB4,575.8 million (2010: RMB1,961.2 million), representing an increase of approximately 133.3% 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 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 PPS products and, according to 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 RMB2,535.5 million representing 55.4% to our revenue for the year ended 31 December 2011.

Gross profit and gross profit margin

We recorded a gross profit of RMB2,903.5 million for the year ended 31 December 2011 (2010: RMB1,419.7 million), representing an increase of approximately 104.5% as compared to the previous year. The increase in our gross profit was mainly attributable to the completion of the acquisition of Sino Polymer, which contributed approximately RMB1,517.9 million to our gross profit for the year ended 31 December 2011.

Our overall gross profit margin was 63.5% for the year ended 31 December 2011 (2010: 72.4%), representing a decrease of approximately 8.9% as compared to the previous year. The decrease in our overall gross profit margin was primarily attributable to a change in our product mix to include PPS products following our successful acquisition of Sino Polymer on the Completion Date of Acquisition, full year revenue contribution from animal feed thenardite and pricing pressure from the new specialty thenardite competitors in the fourth quarter of 2011. The gross profit margins of PPS and thenardite are 59.1% and 66.7% respectively for the year ended 31 December 2011.

Earnings per share

For the year ended 31 December 2011, the basic earnings per share was RMB23.23 cents (2010: RMB37.42 cents).

Final dividend

At the meeting of the Board held on 30 March 2012, the Directors recommended the payment of a final dividend of HK2.58 cents per ordinary share (equivalent to approximately RMB2.14 cents per ordinary share) for the year ended 31 December 2011 (2010: HK1.94 cents) to the shareholders of the Company. The proposed final dividend is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting to be held on 27 June 2012 and has not been reflected in the financial statements for the year ended 31 December 2011.

Annual General Meeting

The forthcoming annual general meeting (the "2012 AGM") of the Company will be held on 27 June 2012 and the notice of the 2012 AGM will be published and despatched to the shareholders on or about 23 May 2012.

Closure of Register of Members

For the purposes of determining shareholders' eligibility to attend and vote at the 2012 AGM, and entitlement to the final dividend, the register of members of the Company will be closed. Details of such closures are set out below:

(i) For determining eligibility to attend and vote at the 2012 AGM:

Latest time to lodge transfer documents for registration	4:30 pm on Friday, 22 June 2012
Closure of register for members	from Monday, 25 June 2012 to Wednesday, 27 June 2012 (both days inclusive)
Record date	Wednesday, 27 June 2012

(ii) For determining entitlement to the final dividend:

Latest time to lodge transfer documents for registration	4:30 pm on Tuesday, 3 July 2012
Closure of register of members	from Wednesday, 4 July 2012 to Friday, 6 July 2012 (both days inclusive)
Record date	Friday, 6 July 2012

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the 2012 AGM, and to qualify for the final dividend for the year ended 31 December 2011, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration 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 the aforementioned latest time.

Liquidity and Financial Resources

Borrowings

Our bank and other borrowings, fixed rate senior notes and convertible bonds amounted to approximately RMB2,433.4 million, RMB1,537.5 million and RMB723.7 million respectively as at 31 December 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 30, 31 and 32 respectively to the financial statements.

Leverage

The gearing ratio (defined as consolidated total debts divided by consolidated total assets) as at 31 December 2011 was 24.3% (2010: 43.1%) and the net gearing ratio (defined as consolidated net debts divided by consolidated total assets) as at 31 December 2011 was 10.7% (2010: 20.1%).

Pledge of assets

As at 31 December 2011, the Group's assets in an aggregate amount of approximately RMB1,051.0 million (2010: RMB667.2 million) in forms of property, plant and equipment, land use rights, mining rights and deposits were pledged to financial institutions for credit facilities granted to the Group.

Contingent liabilities

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

Foreign currency exposure

During the year, 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.

Capital commitment

Details of capital commitment of the Group as at 31 December 2011 are shown in note 40 to the financial statements.

Market Review

Sales of PPS and thenardite were driven in 2011 by China's sustained economic growth, urbanization and industrialization. On the other hand, benefiting from favourable state policies, demands for PPS and thenardite have been increasing with the growth momentum extending on.

Review on PPS Market

According to the PPS market research report issued in July 2011 by SRI Consulting, an independent research institute, demand for PPS from China has been increasing, stimulating the demand of major end markets of PPS, due to the rapid growth in recent years' industrial production and favourable government policies and regulations. According to SRI Consulting, China's total demand for PPS will increase to 104,000 tonnes in 2015 from 41,000 tonnes in 2010, and an average annual growth rate of up to 20% for the next five years is expected. The global demand for PPS will be doubled in 2015 and it is expected that China is still the fastest growing market.

According to the 12th Five-Year Plan released by the Chinese government, the average annual growth rate of the new materials industry is expected to be 25% during 2011-2015, and the market size for the industry could reach RMB2 trillion. The 12th Five-Year Plan also aims to foster 10 leading new materials groups by 2015 with over RMB15 billion annual revenue from each of such new materials.

PPS has been adopted in China as a kind of new materials in the fourth chapter of the *Guidelines for the Major Fields of High Technology Industries Given Priority in Development at Present (2011)* and a "Key product in the new materials industry under the 12th Five-Year Plan", entitling to the State's dedicated fostering and development. Under the favourable State policies and driven by the continuous development in China's industry, demand for PPS is going to see increasing growth. The state environmental regulations also bring about great opportunities for the manufacture of PPS fibre for filters and environmental filter bags and it is expected that the growth momentum of the PPS market in China will be maintained.

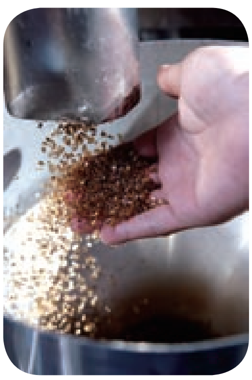
Due to the high standard of requirements and entry barriers upon PPS industry, leading to a less competitive PPS production industry in China, its overall production capacity is insufficient to satisfy its domestic demand, and approximately 50% of the PPS therefore need to be imported from America and Japan. The violent earthquake hit Japan in March 2011, affected its local PPS production, and consequently caused a reallocation of market share among China and Asian market, which brought new customer sources to mainland PPS producers.

From 1 January 2012, China adopted new environmental emission standards for coal-fired power plants. According to the new standards, the newly built coal-fired power plants must meet the new emission limit of particulates 30 mg/m^3, and the existing ones are required to meet the new limit by 1 July 2014. PPS has been confirmed by the industry as the most cost effective materials for filter bags. The Filter Bag Committee of China Association of Environmental Protection Industry has recommended the Group as the major PPS supplier to its association members. Thus, this would create strong demand for environmental filter bags manufactured using PPS fibre. There is always an excess demand over supply for PPS fibre and it is expected that PPS fibre will be a strong growth point for the PPS market in the future.

Management Discussion and Analysis

Review on Thenardite Market

Due to the volatility of global economy in 2011, the market demand for thenardite is similar to that of 2010. Driven by the rapid industrialization development, the demand for thenardite in China and Asia continuously increases. China, with the most extensive reserves of glauberite and as the largest thenardite producer, consumer and exporter in the world, has significant advantages in terms of quality and price as compared to other producers. The strongly growing Asian market provides China's thenardite industry with huge business opportunities. However, on the market supply side, from the fourth quarter of 2011, some thenardite producers started to supply specialty thenardite to the market. This would bring pressure on pricing of specialty thenardite.



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 rising awareness on health in China in the recent years, medical thenardite market has experienced a rapid growth. In June 2011, Sichuan Food and Drug Administration pushed out statutes on medical thenardite to straighten out the industry, which made the medical thenardite market even healthier. Thenardite is one of the major raw materials of PPS, the rapidly increasing demand in PPS during the year accordingly triggered demand for thenardite. It is expected that, prompted by PPS, sales of thenardite will continue to rise, resulting in a synergistic effect.

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, 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. 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 being applied to photovoltaic cell.

Most of the end-users of our PPS products 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 markets in which end-use applications for PPS products are well established. We believe that the environmental (filter bags) industry will be a huge growth opportunity as China implemented its new environmental emission standards.

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” has been recognized as a “China Well-known Trademark” by the State Administration for Industry and Commerce of the PRC since March 2008.

Powder thenardite

We sold approximately 453,983 tonnes of powder thenardite for the year ended 31 December 2011 (2010: 511,576 tonnes), and our revenue derived from powder thenardite sales amounted to RMB132.4 million (2010: RMB130.1 million) with 1.8% year-on-year growth.

Specialty thenardite

We sold approximately 1,248,950 tonnes of specialty thenardite for the year ended 31 December 2011 (2010: 1,156,020 tonnes) with 8.0% year-on-year growth, and revenues derived from specialty thenardite sales amounted to RMB1,008.7 million (2010: RMB1,040.7 million). However, there are new competitors in specialty thenardite which drove down the selling price in the fourth quarter of 2011.

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 thenardite products is in compliance with the product specifications set out in the 2005 National Pharmaceutical Encyclopedia and is subject to the supervision of the Food and Drug Administration of Sichuan Province. Our production facilities of medical thenardite are GMP certified. The clinical medical thenardite manufactured by us have been successfully launched into the market in April 2011, for consumption in hospitals and by consumers.

We sold approximately 293,436 tonnes of medical thenardite for the year ended 31 December 2011 (2010: 299,816 tonnes), and our revenue derived from medical thenardite sales amounted to RMB899.1 million (2010: RMB790.4 million) with 13.8% year-on-year growth.

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 5,778 tonnes of PPS resin and our revenue derived from PPS resin sales amounted to RMB374.7 million for the year ended 31 December 2011 (since the Completion Date of Acquisition).

PPS compounds

We sold approximately 25,635 tonnes of PPS compounds and our revenue derived from PPS compounds sales amounted to RMB1,752.2 million for the year ended 31 December 2011 (since the Completion Date of Acquisition).

PPS fibre

We sold approximately 4,636 tonnes of PPS fibre and our revenue derived from PPS fibre sales amounted to RMB408.1 million for the year ended 31 December 2011 (since the Completion Date of Acquisition).

Operation Review

Thenardite Production

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 552,047 tonnes of thenardite for the year ended 31 December 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 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. There was no material change in the glauberite reserves and resources of the Dahongshan Mining Area as of 31 December 2011.

Guangji Mining Area (specialty thenardite)

Our Guangji Mining Area produced approximately 980,208 tonnes of thenardite for the year ended 31 December 2011. The production capacity of our mining and production facilities in the Guangji Mining Area is 1.1 million tpa for the year ended 31 December 2011. There was no material change in the glauberite reserves and resources of the Guangji Mining Area as at 31 December 2011.

Muma Mining Area (medical thenardite)

Our Muma Mining Area have a production facility for medical thenardite of a total production capacity of 200,000 tpa. Our Muma Mining Area produced approximately 195,371 tonnes of medical thenardite for the year ended 31 December 2011. There was no material change in the glauberite reserves and resources of the Muma Mining Area as of 31 December 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 268,780 tonnes of animal feed grade thenardite for the year ended 31 December 2011. There was no material change in the glauberite reserves and resources of the Yuegou Mining Area as at 31 December 2011.

PPS Production

PPS production facility

As of 31 December 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 manufacture bases are respectively located in Deyang City and Shuangliu County, Sichuan Province. As to the plant based in Deyang City, there are two PPS resin production lines with total production capacity of 24,000 tpa (on neat resin basis) and PPS fibre production line with production capacity of 5,000 tpa. While as to the plant based in Shuangliu County, the production capacities of its PPS resin production line and PPS compounds production line are 6,000 tpa (on neat resin basis) and 30,000 tpa, respectively. Due to the technical upgrade in the first half of 2011, we were able to increase our PPS resin production volume. In particular, our PPS production lines produced approximately 25,035 tonnes of PPS resin, 26,476 tonnes of PPS compounds and 4,715 tonnes of PPS fibre for the year ended 31 December 2011.

Future Prospect

As one of the world's leading producers of new materials, we will capitalize on the business opportunities brought about by the State's 12th Five-year Plan and medical reform, proactively facilitate R&D, accelerate capacity expansion and vigorously enlarge and reinforce our PPS and thenardite businesses to further strengthen our leading position in the industry.

Grasping opportunities brought about by the 12th Five-year Plan and vigorously expanding PPS production capacity

PPS is widely used in various fields and is one of the strategically emerging materials, which has been adopted as "Key product in the new materials industry under the 12th Five-Year Plan" by the Ministry of Industry and Information Technology and given priority for cultivation and development under the State's 12th Five-Year Plan. In addition, as the economy is rapidly developing while more attention is paid to environmental protection and stricter criteria are issued on emission in China, the demand for PPS is expected to continuously increase in China in the future, bringing huge opportunities for our PPS business.

To meet the rapidly growing market demands, we commenced the expansion of PPS resin production line and PPS fibre production line during the year. Through increasing the production capacity, we can promptly respond to the emerging market opportunities. The PPS expansion construction will be completed in phases. The phase one construction of resin production line and fibre production line is expected to complete by the end of 2012, at which time our annual production capacities of PPS resin and PPS fibre could reach 55,000 tpa and 20,000 tpa, respectively. We are commencing the phase two construction of resin production line and it is expected to complete in the second half of 2013, at which time our annual production capacity of PPS resin will be further increased by 25,000 tpa.

Continuous expansion of downstream medical thenardite products to expand the segment market

Due to the expansion of the scope of medical allowance granted by the PRC government to the public through the medical reform, as well as the economic development and rising awareness on health in China, domestic medical market constantly increases. Thenardite is a common raw material for Chinese medicines and can be widely used in clinicals and Chinese medicine production with a huge future market demand.

During the year, we launched medical thenardite for clinical applications and thenardite medicines, which are widely used by hospitals and consumers for their efficacies of mild laxative, colon anti-inflammation, detoxification and swelling reduction. We are the only producer in China with GMP certification and the Pharmaceutical Production Permit for medical thenardite. Our "Sansu"-branded thenardite active pharmaceutical ingredients and medicines for clinical applications have obtained a number of nationally-recognized certifications. In the future, we will continue to take advantage of our own advantages and the business opportunities to focus on the development of medical thenardite and energetically develop downstream thenardite products with higher value-added, such as natrii sulfas exsiccatus, a kind of Chinese medicines Yinpian. Natrii sulfas exsiccatus can discharge heat, moisten dryness and soften hard lumps, and therefore is an ideal cure for heat accumulation and stagnation.

Employees and Remuneration Policies

As at 31 December 2011, we had a total of 2,429 employees (2010: 1,575 employees). Total staff costs (including Directors' remuneration) for the year ended 31 December 2011 were approximately RMB424.8 million (2010: RMB88.4 million), representing 16.8% (2010: 12.8%) 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.

Research and Development

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

We also expended great efforts in research and development of high-end PPS products. During the year, we have successfully produced environmental-friendly low-chlorine PPS resin and developed film-grade PPS resin, being applied to photovoltaic cell, and PPS alloy, being applied to railway insulator and fastening pieces for high speed railway as well as PPS fireproofing material. In May 2011, we entered into a letter of intent with XJ Electric Co., Ltd. to jointly undertake the research and development of battery cell technology for commercial motor vehicles. Besides, the Company has developed more new products and applications applied in motor components and sanitary wares. In future, the Group plans to cooperate with the top scientific research teams in the PRC to jointly develop the high-end PPS products.

Profile of Directors and Senior Management

Executive Directors

ZHANG Zhigang (張志剛), aged 49, is an executive Director and Chairman of the Group. Mr. Zhang is a director of each of Sino Polymer New Materials Co., Ltd. ("Sino Polymer"), Haton Polymer Limited ("Haton Polymer"), 四川得陽特種新材料有限公司 (Sichuan Deyang Special New Materials Co., Ltd.), 四川得陽工程塑料開發有限公司 (Sichuan Deyang Engineering Plastic Development Co., Ltd.) and 四川得陽化學有限公司 (Sichuan Deyang Chemical Co., Ltd.) ("Deyang Chemical"), all being the subsidiaries of the Company, and the chief executive officer of Sino Polymer and its subsidiaries ("Sino Polymer Group"). He joined Sino Polymer Group in 2006. Mr. Zhang has over 10 years of experience in PPS production and 25 years of experience in chemical production management. He has been the chairman of Sichuan Hua Tong Special Plastic Research Centre Co., Ltd. (四川華通特種工程塑料研究中心有限公司) and Sichuan Haton Enterprise Co., Ltd. (四川省華拓實業發展股份有限公司) since 2003 and 2006, respectively. Mr. Zhang was the deputy manager of Sichuan Haton Enterprise Co., Ltd. from 2000 to 2003, which is engaged in chemical production including PPS production. He worked as the general manager in Sichuan Huatong Wood Co., Ltd. (四川華通木業有限公司) from 1998 to 2000 and the manager of securities department in Sichuan Polymer Co., Limited (四川聚酯股份有限公司) from 1996 to 1998. Mr. Zhang was also the manager of the enterprise management department of Zigong Dongxin Electrical Carbon Co., Ltd. (自貢東新電碳股份有限公司) from 1982 to 1996. He currently serves as an adjunct professor. He was appointed as an executive Director and Chairman of the Group on 1 April 2011.

ZHANG Daming (張大明), aged 62, is an executive Director and chief executive officer of the Company and its subsidiaries (the "Group"). Mr. Zhang is a senior economist and holds a master degree in Integral Management from Tao University and a bachelor degree in Political Economics from Sichuan University (四川大學). Mr. Zhang Daming worked as the department head and the deputy secretary of Sichuan Provincial Economic System Reform Committee (四川省經濟體制改革委員會) and the general manager of Chuanmei Mirabilite. In addition, he was the general manager of Top Promise Resources Limited (the "Top Promise") and the executive director and general manager of Sichuan Chuanmei Special Glauber Salt Co., Ltd. ("Chuanmei Glauber Salt"), an indirect wholly-owned subsidiary of the Issuer. He was appointed as an executive Director and chief executive officer of the Group on 1 February 2008.

YU Man Chiu Rudolf (余孟釗), aged 37, is an executive Director and the general manager of corporate development. He obtained a bachelor of science degree in Physics from Imperial College, London and a master of science degree in International Management from King's College, London. Mr. Yu previously worked as an Equity Capital Markets banker at both BNP Paribas Capital (Asia Pacific) Limited and Credit Suisse (Hong Kong) Limited. Mr. Yu joined the Group as the general manager of corporate development department of the Issuer in 2009. He was appointed as an executive Director on 3 March 2010.

GOU Xingwu (苟興無), aged 45, is an executive Director. Mr. Gou is an engineer and holds a high diploma in Chemical Industrial Mechanics from Sichuan Luzhou Chemical Industry College (四川省瀘州化工學院). Mr. Gou Xingwu worked as the deputy head of the production department, deputy factory director, factory director, assistant to general manager and the deputy general manager of Chuanmei Mirabilite and the deputy general manager of Sichuan Chuanmei Special Glauber Salt Co., Ltd. ("Chuanmei Glauber Salt"), one of the subsidiaries of the Company. Currently, he is an executive director of Sichuan Chuanmei Mirabilite Co., Ltd. ("Chuanmei Mirabilite"), one of the subsidiaries of the Company, and Chuanmei Glauber Salt. He was appointed as an executive Director of the Group on 1 April 2011.

TAN Jianyong (譚建勇), aged 41, is an executive Director. Mr. Tan is a director of each of Sino Polymer, Haton Polymer, Deyang Chemical and Deyang Materials, all being the subsidiaries of the Company. He has also been the chairman of Deyang Chemical and Deyang Materials since 28 January 2010 and 25 January 2010, respectively. Mr. Tan joined Sino Polymer Group on 10 June 2008. Prior to this, he worked as the deputy general manager in Sichuan Deyang Science & Technology Co., Ltd. (四川得陽科技股份有限公司), a company engaged in chemical production including PPS production since 2004. He also worked with Cheng Du Aeroplane Industry Company (成都飛機工業公司) from 1996 to 2004 and was responsible for production management. With his current and previous positions in Sino Polymer Group and other companies, Mr. Tan has over 10 years of experience in machinery and chemical production. Mr. Tan received a bachelor's degree in Huabei Aero Industrial Academy in June 1996. He was appointed as an executive Director of the Group on 1 April 2011.

LI Xudong (李旭東), aged 49, was an executive Director and a senior engineer. He resigned as an executive Director and other positions with certain subsidiaries of the Company on 1 April 2011. He holds a master degree in Management Science and Engineering from University of Electronic Science and Technology of China (電子科技大學) and a high diploma in Management Engineering from Sichuan Light Chemical Industry College (四川輕化工學院) (now known as Sichuan University of Science & Engineering (四川理工學院)). Mr. Li Xudong worked as the deputy chief and the chief of the Issuer's equipment department, assistant to the general manager and the deputy general manager and director of Chuanmei Mirabilite. Mr. Li had been the technical director of Top Promise.

Non-Executive Directors

SUO LANG Duo Ji (索郎多吉), aged 49, was a non-executive Director. He resigned as an non-executive Director and Chairman of the Group and other positions with certain subsidiaries of the Company on 1 April 2011. He was also the founder of the Sino Polymer New Materials Co., Ltd. (the "Sino Polymer") and its subsidiaries and a director of each of Sino Polymer, Haton Polymer & Fibre Limited (the "Sino Polymer BVI") and Haton Polymer Limited (the "Sino Polymer HK"). Mr. Suo Lang Duo Ji completed a postgraduate course in Enterprise Administration from Sichuan University (四川大學) in 2001 and a postgraduate course in Management Science and Engineering from University of Electronic Science and Technology of Sichuan (電子科技大學) in 2004. He is a senior engineer and senior economist. Mr. Suo Lang Duo Ji has been a part-time professor in the College of Economics and Management of Sichuan Normal University (四川師範大學) from 2006 and an adjunct professor in Sichuan Fine Arts Institute (四川美術學院) from 2005, respectively.

ZHANG Songyi (張頌義), aged 56, was a non-executive Director. He resigned as a non-executive Director and other positions with certain subsidiaries of the Company on 1 April 2011. He was also a director of each of Sino Polymer, Sino Polymer BVI and Sino Polymer HK. Mr. Z Songyi is experienced in corporate finance and mergers and acquisitions. Mr. Zhang Songyi served as a director of Suntech Power Holdings Co. Ltd., a company listed on the New York Stock Exchange, and currently serves in senior management and advisory capacities in several companies, including acting as the chairman of Mandra Capital, a senior advisor of Morgan Stanley Asia Limited, a director of SINA Corporation, a company listed on the Nasdaq Stock Market, an independent non-executive director of Hong Kong Energy (Holdings) Limited, a company listed on the Stock Exchange and an independent non-executive director of China Longyuan Power Group Corporation Limited, a company listed on the Stock Exchange. In addition, Mr. Zhang Songyi also served as a managing director of Asia Merger, Acquisition and Divestiture Group, and the co-head of Asia Resources and Infrastructure Group of Morgan Stanley Asia Limited, and a senior associate of Milbank, Tweed, Hadley & McCloy LLP. Mr. Zhang Songyi obtained a Juris Doctor degree from Yale University in 1985.

WANG Chun Lin (王春林), aged 60, is a non-executive Director. He resigned as a non-executive Director and other positions with certain subsidiaries of the Company on 1 April 2011. He is also a director of each of Sino Polymer, Sino Polymer BVI and Sino Polymer HK. Mr. Wang Chun Lin obtained a bachelor degree in Computer Science from Fudan University (復旦大學) in 1977. Mr. Wang Chun Lin served as the chairman and an executive director of Temujin International Investments Limited (formerly known as Everest International Investments Limited), a company listed on the Stock Exchange until January 2007.

Independent Non-Executive Directors

KOH Tiong Lu, John (許忠如), aged 56, is an independent non-executive Director. He was a managing director and a senior advisor to The Goldman Sachs Group. He is chairman of the audit committee of the board of directors of NSL Ltd (formerly known as Natsteel Ltd), a publicly traded Singapore conglomerate. Mr. Koh Tiong Lu, John holds a degree of Bachelor of Arts and a degree of Master of Arts from University of Cambridge and is a graduate of Harvard Law School. He was appointed as an independent non-executive Director on 25 May 2009.

WONG Chun Keung (王振強), aged 42, is an independent non-executive Director. Mr. Wong Chun Keung is a practicing barrister in Hong Kong. He obtained a degree of Bachelor of Science and a degree of Master of Business Administration from the University of Hong Kong in 1991 and 1998 respectively. He also holds a degree of Bachelor of Laws from the University of London and the Postgraduate Certificate in Laws from the University of Hong Kong. He was called to the Bar in Hong Kong in 2002 and was in private practice since 2003. He was appointed as an independent non-executive Director on 25 May 2009.

XIA Lichuan (夏立傳), aged 48, is an independent non-executive Director, graduated from Anhui University (安徽大學) with a bachelor degree of economics, obtained a master degree of economics from Graduate School of the People's Bank of China (中國人民銀行總行金融研究所) and a master degree of business administration in finance from City University London, and eventually a doctoral degree of philosophy in finance from the Sir John Cass Business School under City University London. Mr. Xia is currently the chief economist of Cypress House Asset Management Company Limited and served as the project manager of the People's Bank of China and the senior manager of the institutional brokerage department of Guotai Junan Securities (Hong Kong) Company Limited. He was appointed as an independent non-executive Director on 3 March 2010.

GAO Zongze (高宗澤), aged 72, was an independent non-executive Director. He resigned as an independent non-executive Director on 1 April 2011. Mr. Gao is a practicing lawyer in the PRC and had been a National Committee member of the PRC's Chinese People's Political Consultative Conference (中華人民政治協商會議) and the president of the All China Lawyers' Association, the PRC (中華全國律師協會). Mr. Gao graduated from the Graduate School of the China Academy of Social Sciences, the People's Republic of China (中國社會科學院) in 1981. He was appointed as an independent non-executive Director on 3 March 2010.

Senior Management

WONG Kui Tong (黃鉅棠), aged 31, is the company secretary of the Company and finance manager of the Group. Mr. Wong joined the Group in March 2009 as the accounting manager of Top Promise. Mr. Wong has over 9 years of experience in auditing, accounting and financial management. Mr. Wong is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants and he is also a member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Company Secretaries.. Prior to joining the Group, Mr. Wong worked in PricewaterhouseCoopers for 5 years. Mr. Wong obtained a bachelor's degree of Arts in Accountancy and a Master degree of Corporate Governance from The Hong Kong Polytechnic University.

LUO Hua (羅華), aged 37, is the Chief Financial Officer of the Group. Mr. Luo is a director of each of Deyang Chemical, Deyang Materials and Deyang Plastic, and the chief financial officer of the Group. Mr. Luo is responsible for the Group's financial matters. Prior to joining the the Group in June 2008, Mr. Luo worked with Sichuan Huaqiang Accounting Firm since 2000, where his last position was the chief auditor from 2006 to 2008. With his current and previous positions in the the Group and in Sichuan Huaqiang Accounting Firm, Mr. Luo has over 10 years of experience in accounting and auditing, which is relevant to the management of the Group.

SHAN Tong (單彤), aged 53, is the Marketing Officer of the Group. He joined the the Group in 2008. Prior to this, Mr. Shan worked with Sichuan Jiuda Salt Group Co., Ltd. (四川久大鹽業集團有限公司) from 1996 to 2008, where his last position was the director of the logistics and transportation department. In addition, he served as regional sales manager in Zigong Honghua Co., Ltd. from 1991 to 1995. With his current and previous positions in the the Group and other companies, Mr. Shan has over 18 years of experience in sales and marketing.

LI Hongqing (李洪清), aged 40, is the Production Officer of the Group. Mr. Li is an engineer. He holds a bachelor degree in Business Administration from South Western University of Finance and Economics (西南財經大學) and a high diploma in Chemistry Technology and Engineering from Sichuan United University (四川聯合大學) (now known as Sichuan University (四川大學)). Mr. Li worked as an operator, a controller, the deputy director of the production factory, the director of the production factory, the manager and the deputy general manager of production department of Chuanmei Mirabilite. He is currently the general manager of Chuanmei Mirabilite and the general manager of Chuanmei Glauber Salt.

GOU Liangwu (苟梁武), aged 41, is the Chief Engineer of the Group. Mr. Gou has also been a director of Deyang Chemical and Deyang Materials since 28 January 2010 and 25 January 2010, respectively. He joined the Group in September 2003. Prior to this, he was the deputy general manager of Sichuan Deyang Science & Technology Co., Ltd. from January 2004 to December 2007. Mr. Gou also worked with Zigong Honghua Co., Ltd (自貢鴻鶴化工股份有限公司) from 1993 to 2004, where he participated in the research of PPS technology and production and was also responsible for the operation and engineering management of the chlorine and alkali systems. He was the head of the equipment department and the production technology department from 2000 to 2004. With his current and previous positions in the Group and other companies, Mr. Gou has over 15 years of experience in the PPS industry. Mr. Gou received a bachelor's degree in engineering from Wuhan Institute of Technology in 1992.

LIU Qiru (劉啟儒), aged 57, is the Mining Officer of the Group. Mr. Liu is a senior engineer and holds a high diploma in Mining from Kunming Industrial College (昆明工學院) (now known as Kunming University of Science and Technology (昆明理工大學)). Mr. Liu worked as the deputy mining chief, mining chief, the head and manager of the production and technology department, the chief engineer of Chuanmei Mirabilite and project manager for the construction of the Guangji production facility. Currently, he is the chief engineer of Chuanmei Mirabilite and Chuanmei Glauber Salt.

CAO Bin (曹斌), aged 43, is the Deputy Marketing Officer of the Group. Mr. Cao holds a bachelor degree of International Economic and Trading from Sichuan United University (四川聯合大學) (now known as Sichuan University (四川大學)). Mr. Cao Bin worked as the deputy manager of its sales department, the deputy general manager of the sales and marketing department of Chuanmei Mirabilite.

Report of the Directors

The Directors herein present their annual report and the audited financial statements of the Company and the Group for the year ended 31 December 2011.

Principal Activities

The Company's principal activity is investment holding. The Group's principal activities have not changed during the year ended 31 December 2011 and 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 38, all the equity interest of Sino Polymer New Materials Co., Ltd. ("Sino Polymer") were acquired by the Group during the year ended 31 December 2011. The acquisition of 94.1% equity interest and an additional acquisition of the remaining equity interest in Sino Polymer were completed on 14 January 2011 and 9 June 2011 respectively. Sino Polymer and its subsidiaries are principally engaged in manufacturing and selling of PPS products.

Results and Dividends

The Group's profit for the year ended 31 December 2011 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 49 to 150.

An interim dividend of HK4.165 cents per share (equivalent to approximately RMB3.428 cents per share) amounting to RMB193,600,000 in total was paid to the shareholders during the year (2010: HK5.2 cents per ordinary share).

At the meeting of the Board held on 30 March 2012, the Directors declared an final dividend of HK2.58 cents per ordinary share (equivalent to approximately RMB2.14 cents per ordinary share) for the year ended 31 December 2011 (2010: HK1.94 cents per ordinary share).

Interim and final dividends represent 25% of the profit for the year attributable to owners of the Company.

Financial Summary

This summary does not form part of the audited financial statements. A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 151 to 152 of this report.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2011 are set out in note 16 to the financial statements.

Fixed Rate Senior Notes

Details of fixed rate of 12.0% senior notes due 2014 (the "Senior Notes") with aggregate principal amount of USD250,000,000 are set out in note 31 to the financial statements.

Borrowings

Particulars of borrowings of the Group as at 31 December 2011 are set out in note 30 to the financial statements.

Share Capital

Details of movements in the share capital of the Group during the year ended 31 December 2011 are set out in note 35 to the financial statements.

Reserves

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2011 are set out in note 36 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

At 31 December 2011, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22. (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately RMB9,282,631,000. The amount of RMB10,518,007,000 (as set out in note 36 to the financial statements) standing to the credit of the share premium account of the Company may be distributed, provided that the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

Major Customers and Suppliers

For the year ended 31 December 2011, purchases attributable to the Group's largest supplier, excluding purchases of land, amounted to approximately 30.0% of the Group's total purchases and the percentage of turnover attributable to the Group's largest customer amounted to approximately 11.9% of the Group's total turnover.

For the year ended 31 December 2011, the percentage of purchases attributable to the Group's five largest suppliers combined was less than 54.0% of the Group's total purchases and the percentage of turnover attributable to the Group's five largest customers combined was less than 45.0% of the Group's total turnover.

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

Directors

The Directors who were in office during the year ended 31 December 2011 and those as at the date of this report are as follows:

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)

In accordance with article 108 of the Company's articles of association (the "Articles of Association"), Mr. Zhang Daming, Mr. Yu Man Chiu Rudolf and Mr. Gou Xingwu will retire from office at the 2012 AGM and, being eligible, offer themselves for re-election as Directors thereat.

Directors' Service Contracts

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of the non-executive Directors has entered into a service contract with the Company for an initial term of three years which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years which may be terminated by not less than three months' notice in writing served by either party on the other. No Director proposed for re-election at the Annual General Meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Remuneration

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

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

Directors' Interests in Contracts

Apart from those disclosed in note 42 the financial statements, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2011.

Directors' Interests in Competing Businesses

During the year ended 31 December 2011 and up to the date of this report, no Director is considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

Directors' Rights to Acquire Shares or Debentures

Save as disclosed herein, at no time during the year ended 31 December 2011 were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in the Company.

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

As at 31 December 2011, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for

Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules (the "Model Code") are listed as follows:

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 Zhigang	14 January 2011	7,600,000	HK$3.28
	14 July 2011	12,000,000	HK$3.01
Mr. Zhang Daming	28 July 2009	10,000,000	HK$3.59
	14 July 2011	12,000,000	HK$3.01
Mr. Yu Man Chiu Rudolf	23 April 2010	10,000,000	HK$2.64
	14 July 2011	12,000,000	HK$3.01
Mr. Gou Xingwu	14 July 2011	9,000,000	HK$3.01
Mr. Tan Jianyong	14 January 2011	6,000,000	HK$3.28
	14 July 2011	9,000,000	HK$3.01

Save as disclosed above, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporation which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, or which were recorded in register required to be kept under Section 352 of the SFO, or are required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests In The Share Capital Of The Company

As at 31 December 2011, so far as is known to any Directors or the chief executive of the Company, the shareholders, other than the Directors or the chief executive of the Company, who had registered any interest or short position in the shares or the underlying shares representing 5% or more of the nominal value of shares comprised in the relevant share capital of the Company, as recorded in the register kept by the Company pursuant to Section 336 of the SFO were as follows:

Interests in the Company

(i) Long positions

Name of shareholder	Capacity and nature of interest	Number of shares	Approximate percentage of shareholding as at 31 December 2011
Mr. Suo Lang Duo Ji	Interest of a controlled corporation	1,875,846,510	33.53%
Ascend Concept Technology Limited (“Ascend”)	Beneficial Owner	1,070,891,618	19.14%
Rich Pass International Ltd.	Interest of a controlled corporation	1,070,891,618	19.14%
Nice Ace Technology Limited	Beneficial Owner	804,950,820	14.25%
China Investment Corporation	Beneficial Owner	349,263,060	6.41%

Note:

(1) Under the provisions of the SFO, Mr. Suo Lang Do Ji is deemed to have an interest in 1,875,846,510 Shares of which 10,070,891,618 shares are shares held by Ascend (a company incorporated in the BVI and a wholly owned subsidiary of Rich Pass International Ltd of which its entire share capital is owned by Mr. Suo Lang Do Ji) and 804,950,820 shares are shares held by Nice Ace Technology Limited (a company incorporated in the BVI of which its entire share capital is owned by Mr. Suo Lang Do Ji) respectively.

(ii) Short positions

Name of shareholder	Capacity and nature of interest	Number of shares	Approximate percentage of shareholding as at 31 December 2011
Mr. Suo Lang Duo Ji (Note 1)	Interest of a controlled corporation	45,446,000	0.81%
Nice Ace Technology Limited (“Nice Ace”) (Note 1)	Beneficial owner	45,446,000	0.81%

Note:

(1) 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 31 December 2011.

Save as disclosed above, as at 31 December 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.

Compliance with Non-Competition Undertaking

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

Under the Non-competition Undertaking, each of Mr. Suo Lang Duo Ji and Nice Ace undertakes to the Company (for itself and for the benefit of its subsidiaries), among others, that he or it would not, and would procure that his or its affiliates (except any members of the Group) would not, during the validity of the Non-competition Undertaking, directly or indirectly, either on his or its own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in, acquire or hold (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which is or may be in competition with the business of any member of the Group from time to time. Pursuant to the annual declaration in relation to the compliance with the Non-competition Undertaking provided by Mr. Suo Lang Duo Ji and Nice Ace respectively, each of them confirms that all the relevant terms of the Non-competition Undertaking have been fully complied with in all material respects.

Share Options

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

A. Pre-IPO Share Option Scheme

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

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

Details of the share options granted on 30 April 2008 under the Pre-IPO Share Option Scheme as at 31 December 2011 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 year ended 31 December 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.

On 14 July 2011, according to the terms of the Share Option Scheme, the Company granted 536,600,000 share options to certain eligible participants including certain Directors and employees at an exercise price of HK$3.01 per share 54,000,000 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 all three respective periods commencing from 14 January 2011, 14 January 2012 and 14 January 2013 respectively and expiring on 13 January 2014. For future details, please refer to the announcement of the Company dated 16 July 2011.

Details of the share options outstanding as at 31 December 2011 under the Pre-IPO Share Option Scheme and the Share Option Scheme are as follows:

Name or category of grantee	Date of grant	Exercisable period	Exercise price (HK$)	Share options held at 1 January 2011	Share options granted during the year	Share options exercised during the year	Share options lapsed during the year	Share options held at 31 December 2011
Directors of the Company								
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
	14 July 2011	14 July 2011 to 13 July 2014	3.01	–	6,000,000	–	–	6,000,000
	14 July 2011	14 July 2012 to 13 July 2014	3.01	–	3,000,000	–	–	3,000,000
	14 July 2011	14 July 2013 to 13 July 2014	3.01	–	3,000,000	–	–	3,000,000
				–	12,000,000	–	–	12,000,000
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)	–
	14 July 2011	14 July 2011 to 13 July 2014	3.01	–	6,000,000	–	–	6,000,000
	14 July 2011	14 July 2012 to 13 July 2014	3.01	–	3,000,000	–	–	3,000,000
	14 July 2011	14 July 2013 to 13 July 2014	3.01	–	3,000,000	–	–	3,000,000
				–	12,000,000	–	–	12,000,000

Name or category of grantee	Date of grant	Exercisable period	Exercise price (HK$)	Share options held at 1 January 2011	Share options granted during the year	Share options exercised during the year	Share options lapsed during the year	Share options held at 31 December 2011
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	–	–	(2,500,000)	2,500,000
	14 July 2011	14 July 2011 to 13 July 2014	3.01	–	6,000,000	–	–	6,000,000
	14 July 2011	14 July 2012 to 13 July 2014	3.01	–	3,000,000	–	–	3,000,000
	14 July 2011	14 July 2013 to 13 July 2014	3.01	–	3,000,000	–	–	3,000,000
				–	12,000,000	–	–	12,000,000
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
	14 July 2011	14 July 2011 to 13 July 2014	3.01	–	4,500,000	–	–	4,500,000
	14 July 2011	14 July 2012 to 13 July 2014	3.01	–	2,250,000	–	–	2,250,000
	14 July 2011	14 July 2013 to 13 July 2014	3.01	–	2,250,000	–	–	2,250,000
				–	9,000,000	–	–	9,000,000
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
	14 July 2011	14 July 2011 to 13 July 2014	3.01	–	4,500,000	–	–	4,500,000
	14 July 2011	14 July 2012 to 13 July 2014	3.01	–	2,250,000	–	–	2,250,000
	14 July 2011	14 July 2013 to 13 July 2014	3.01	–	2,250,000	–	–	2,250,000
				–	9,000,000	–	–	21,000,000
Past Directors of the Company								
Mr. Li Xudong	30 April 2008	16 June 2010 to 16 June 2016	2.00	532,000	–	(532,000)	–	–
(resigned with effect	30 April 2008	16 June 2011 to 16 June 2016	2.00	532,000	–	–	(532,000)	–
from 1 April 2011)	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)	–

Name or category of grantee	Date of grant	Exercisable period	Exercise price (HK$)	Share options held at 1 January 2011	Share options granted during the year	Share options exercised during the year	Share options lapsed during the year	Share options held at 31 December 2011
Mr. Suo Lang Duo Ji (resigned with effect from 1 April 2011)	28 July 2009	1 January 2011 to 31 December 2011	3.59	400,000	–	–	(400,000)	–
				400,000	–	–	(400,000)	–
Mr. Wang Chun Lin (resigned with effect from 1 April 2011)	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 (resigned with effect from 1 April 2011)	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)	–
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	2,198,835	–	621,832	(109,997)	1,411,006
	30 April 2008	16 June 2011 to 16 June 2016	2.00	9,781,500	–	–	(162,002)	9,619,498
	30 April 2008	16 June 2012 to 16 June 2016	2.00	9,781,500	–	–	(162,001)	9,619,498
				26,008,002	–	(4,924,000)	(434,000)	20,650,003
	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 grantee	Date of grant	Exercisable period	Exercise price (HK$)	Share options held at 1 January 2011	Share options granted during the year	Share options exercised during the year	Share options lapsed during the year	Share options held at 31 December 2011
	14 July 2011	14 July 2011 to 13 July 2014	3.01	–	241,300,000	–	(750,000)	240,550,000
	14 July 2011	14 July 2012 to 13 July 2014	3.01	–	120,650,000	–	(375,000)	120,275,000
	14 July 2011	14 July 2013 to 13 July 2014	3.01	–	120,650,000	–	(375,000)	120,275,000
				–	482,600,000	–	(1,500,000)	481,100,000
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	3,433,835	–	(1,209,832)	(109,997)	2,114,006
	30 April 2008	16 June 2011 to 16 June 2016	2.00	11,016,500	–	–	(694,002)	10,322,498
	30 April 2008	16 June 2012 to 16 June 2016	2.00	11,016,500	–	–	(694,001)	10,322,498
				31,822,002	–	(5,456,000)	(1,498,000)	24,868,002
	28 July 2009	1 January 2011 to 31 December 2011	3.59	21,300,000	–	(9,299,000)	(12,001,000)	–
				21,300,000	–	(9,299,000)	(12,001,000)	–
	23 April 2010	1 January 2011 to 31 December 2011	2.64	15,000,000	–	(10,400,000)	(4,600,000)	–
	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)	(6,700,000)	12,900,000
	14 January 2011	14 January 2011 to 13 January 2012	3.28	–	87,960,000	(23,440,000)	–	64,520,000
	14 January 2011	14 January 2012 to 13 January 2013	3.28	–	43,980,000	–	–	43,980,000
	14 January 2011	14 January 2013 to 13 January 2014	3.28	–	43,980,000	–	–	43,980,000
				–	175,920,000	(23,440,000)	–	152,480,000
	14 July 2011	14 July 2011 to 13 July 2014	3.01	–	268,300,000	–	(750,000)	267,550,000
	14 July 2011	14 July 2012 to 13 July 2014	3.01	–	134,150,000	–	(375,000)	133,775,000
	14 July 2011	14 July 2013 to 13 July 2014	3.01	–	134,150,000	–	(375,000)	133,775,000
				–	536,600,000	–	(1,500,000)	535,100,000
				83,122,002	712,520,000	(48,595,000)	(21,699,000)	725,348,002

Connected Transactions

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

Acquisition of up to 95% interests in Sino Polymer

As disclosed in the announcement (the "Announcement") of the Company dated 7 November 2010, on 19 October 2010, the Company, (i) Ascend and Mr. Suo Lang Duo Ji; (ii) Mandra Esop Limited; (iii) Mandra Materials Limited; (iv) Woo Foong Hong Limited; (v) Triple A Investments Limited; (vi) MS China 10 Limited; (vii) Ying Mei Group Limited; (viii) Sky Success Investments Ltd.; and (ix) Other Vendors (as defined in the Announcement and collectively, the "Vendors") entered into a conditional sale and purchase agreement (the "Sale and Purchase Agreement"), pursuant to which the Company agreed to acquire up to 95.00% but not less than 89.49% of the equity interest in Sino Polymer (the "Acquisition"). Pursuant to the Sale and Purchase Agreement, the consideration payable to each of the Vendors is calculated on the basis of (i) the number of shares of Sino Polymer held by the relevant Vendor on completion of the Acquisition (the "Completion") as a percentage of the entire share capital of Sino Polymer in issue on Completion and (ii) a total consideration for 100% of the share capital of Sino Polymer in issue on Completion amounting to HKD11,634,750,000 which is the agreed HKD equivalent of USD1,500,000,000.

As the applicable percentage ratios under the Listing Rules in respect of the Acquisition, exceeded 100%, the Acquisition constituted a very substantial acquisition of the Company, and, as at the date of the Announcement, Mr. Suo Lang Duo Ji, a non-executive Director and a controlling Shareholder, was also, (i) through Ascend, ultimately beneficially interested in 37,739,405 shares of Sino Polymer (being approximately 37.78% of the total share capital of Sino Polymer); and (ii) directly interested in 104 shares of Sino Polymer (being less than 0.01% of the total issued share capital of Sino Polymer), Mr. Suo Lang Duo Ji was therefore the controlling shareholder of Sino Polymer. Accordingly, the Acquisition also constituted very substantial acquisition and a connected transaction for the Company under the Listing Rules.

As disclosed in the Company's announcement dated 14 January 2011, the Completion took place on the same date.

Purchase, Sale or Redemption of Listed Securities of the Company

During the year ended 31 December 2011 and up to the date of this report, the Company repurchased a total of 53,908,000 shares of the Company on the Stock Exchange at an aggregate consideration (excluding expenses) of HK$65,196,680. All the repurchased shares were subsequently cancelled. Details of the repurchases are as follows:

Month of repurchases	Total number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate of consideration paid (excluding expenses)
		HK$	HK$	HK$
September and October 2011	53,908,000	1.40	1.08	65,196,680

The repurchases were made for the benefit of the equity holders to enhance the earnings per share of the Company. Save as disclosed above, the Company has not redeemed, and neither the Company nor any of its subsidiaries has purchased or sold, any of the shares of the Company during the year ended 31 December 2011 and up to the date of this report.

Pre-Emptive Rights

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

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2011.

Sufficiency of Public Float

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

Compliance with the Code on Corporate Governance Practices

In the opinion of the Directors, the Company has fully complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the accounting period covered by this report. Please refer to the Corporate Governance Report on pages 42 to 46 of this report.

Independence of Independent Non-Executive Directors

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

Audit Committee

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

The Audit Committee, comprising four members as at the date of this report namely, Mr. Koh Tiong Lu John (the Chairman of the Audit Committee and an independent non-executive Director), Mr. Xia Lichuan (an independent non-executive Director) and Mr. Wong Chun Keung (an independent non-executive Director), has reviewed the accounting principles and practices adopted by the Group. It has also discussed and reviewed the internal controls and financial reporting matters, including the review of the audited consolidated financial results of the Group for the year ended 31 December 2011, with the management of the Company. The Audit Committee is of the opinion that the financial statements 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 the member of Audit Committee with effect from 1 April 2011.

Placing and Subscription of 340,000,000 Shares

As disclosed in the announcements of the Company dated 25 January 2011 and 7 February 2011, Nice Ace entered into a 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 HK$2.81 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 HK$2.81 per Share.

As disclosed in the announcement of the Company dated 7 February 2011, the said placing and the subscription was completed on 7 February 2011. An aggregate of 340,000,000 Shares were placed by the Joint Placing Agents to not less than six placees at the placing price of HK$2.81. An aggregate of 340,000,000 Shares were allotted and issued to Nice Ace and the number of Shares Nice Ace was interested in remains the same immediately before the placing and immediately after the subscription. The Company received net proceeds of approximately HK$923 million from the Subscription.

Post Balance Sheet Events

Save as disclosed in note 45 to the consolidated financial statements, there are no significant post balance sheet events of the Group after the balance sheet date and up to the date of this report.

Auditors

The financial statements for the year ended 31 December 2009 were audited by Grant Thornton Hong Kong ("GTHK"), now known as JBPB & Co. Due to a merger of the businesses of GTHK and BDO Limited ("BDO") to practise in the name of BDO, GTHK resigned and BDO was appointed as auditor of the Company effective from 10 December 2010. The financial statements for the year ended 31 December 2011 were audited by BDO.

A resolution will be proposed at the Annual General Meeting to re-appoint BDO as auditor of the Company.

There has been no other changes of auditors in the preceding three years.

By order of the Board
Zhang Zhigang
Chairman

Hong Kong
30 March 2012

Corporate Governance Report

Corporate Governance Practices

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

The Board has set up the Audit Committee, the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") with written terms of reference prepared in accordance with the Code Provisions. Throughout the year ended 31 December 2011, the Company has complied with the Code Provisions.

Model Code for Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by Directors and senior management of the Group on terms no less exacting than the required standard under the Model Code. Having made specific enquiry of all Directors and senior management of the Group, all Directors and senior management of the Group have complied with the required standard set out in the Model Code and the Company's code of conduct regarding securities transactions by Directors and senior management during the year ended 31 December 2011.

Board of Directors

The Board is currently composed of five executive Directors, namely Mr. Zhang Zhigang (Chairman of the Group) (appointed with effect from 1 April 2011), Mr. Zhang Daming (the chief executive officer of the Group), Mr. Yu Man Chiu Rudolf, Mr. Gou Xingwu (appointed with effect from 1 April 2011) and Mr. Tan Jianyong (appointed with effect from 1 April 2011); and three independent non-executive Directors, namely Mr. Koh Tiong Lu, John, Mr. Wong Chun Keung and Mr. Xia Lichuan. Mr. Li Xudong resigned as an executive Director with effect from 1 April 2011. Mr. Suo Lang Duo Ji (the ex-Chairman), Mr. Wang Chun Lin and Mr. Zhang Songyi resigned as non-executive Directors with effect from 1 April 2011. Mr. Gao Zongze resigned as an independent non-executive Director with effect from 1 April 2011. The biographical details of the Directors are set out on pages 20 to 24 of this report. All Directors are subject to retirement by rotation and may offer themselves for re-election at the annual general meeting of the Company in accordance with the provisions of the articles of association of the Company. Each of the executive Directors, non-executive Directors and independent non-executive Directors is appointed for a term of three years.

In compliance with Rule 3.10 of the Listing Rules, there are currently three independent non-executive Directors of the Company of which one of them possesses appropriate professional accounting qualification, and each of the three independent non-executive Directors has confirmed his independence of the Company and the Company considers each of them to be independent in accordance with the guidelines of assessing independence as set out in Rule 3.13 of the Listing Rules throughout the year ended 31 December 2011.

The Board meets regularly to review and determine the corporate strategies and overall strategic policies. Apart from the regular Board meetings, the Board met on other occasions when a board level decision on a particular matter was required. Each of the members of the Board has full access to relevant information at the meetings. During the year ended 31 December 2011 and up to the date of this report, the Board has convened 16 board meetings and conducted the following activities:

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

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

Details of the Directors' attendance records at the Board meetings during the year ended 31 December 2011 and up to the date of this report are as follows:

	Attendance
Executive Directors	
Mr. Zhang Zhigang (appointed with effect from 1 April 2011)	11/16
Mr. Zhang Daming	16/16
Mr. Yu Man Chiu Rudolf	12/16
Mr. Gou Xingwu (appointed with effect from 1 April 2011)	11/11
Mr. Tan Jianyong (appointed with effect from 1 April 2011)	11/11
Mr. Li Xudong (resigned with effect from 1 April 2011)	2/5
Non-executive Director	
Mr. Suo Lang Duo Ji (resigned with effect from 1 April 2011)	4/5
Mr. Zhang Songyi (resigned with effect from 1 April 2011)	4/5
Mr. Wang Chun Lin (resigned with effect from 1 April 2011)	5/5
Independent non-executive Directors	
Mr. Koh Tiong Lu, John	13/16
Mr. Wong Chun Keung	14/16
Mr. Xia Lichuan	15/16
Mr. Gao Zongze (resigned with effect from 1 April 2011)	0/5

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

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

Nomination Committee

The Nomination Committee is currently composed of three members, comprising two independent non-executive Directors, namely Mr. Koh Tiong Lu, John (Chairman) and Mr. Wong Chun Keung, and one executive Director, Mr. Tan Jianyong (appointed as a member with effect from 1 April 2011). Mr. Wang Chun Lin resigned as a member of the Nomination Committee with effect from 1 April 2011. It was established by the Board and its duties are clearly defined in its written terms of reference which have been prepared and adopted according to the Code Provisions.

The major responsibilities of the Nomination Committee include reviewing the structure and the composition of the Board, and making recommendation to the Board on matters relating to Directors' nomination, appointment or reappointment and succession on regular basis. The Nomination Committee met two times during the year ended 31 December 2011 and up to the date of this report.

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

	Attendance
Executive Director	
Mr. Tan Jianyong (appointed with effect from 1 April 2011)	1/1
Non-executive Director	
Mr. Wang Chun Lin (resigned with effect from 1 April 2011)	1/1
Independent non-executive Directors	
Mr. Koh Tiong Lu, John	2/2
Mr. Wong Chun Keung	2/2

Remuneration Committee

The Remuneration Committee is currently composed of three members, comprising one executive Director, Mr. Zhang Zhigang (appointed as a member with effect from 1 April 2011) and two independent non-executive Directors, namely Mr. Wong Chun Keung (Chairman) and Mr. Xia Lichuan. Mr. Suo Lang Duo Ji and Mr. Gao Zongze resigned as members of the Remuneration Committee with effect from 1 April 2011. It was established by the Board and its duties are clearly defined in its written terms of reference which have been prepared and adopted according to the Code Provisions.

The Remuneration Committee meets annually to review the remuneration policies and packages for Directors and senior management of the Company. No Director takes part in any discussions about his own remuneration. During the year ended 31 December 2011 and up to the date of this report, it has convened four meetings and reviewed the remuneration packages for the newly appointed directors of the Company.

Details of attendance of each member of the Remuneration Committee during the year ended 31 December 2011 and up to the date of this report are as follows:

	Attendance
Executive Directors	
Mr. Zhang Zhigang (appointed with effect from 1 April 2011)	3/3
Non-executive Director	
Mr. Suo Lang Duo Ji (resigned with effect from 1 April 2011)	0/1
Independent non-executive Directors	
Mr. Wong Chun Keung	4/4
Mr. Xia Lichuan	4/4
Mr. Gao Zongze (resigned with effect from 1 April 2011)	0/1

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

Auditors' Remuneration

During the year ended 31 December 2011, BDO Limited was appointed as the auditor of the Company. The fee paid/payable to the auditors of the Group is approximately RMB3,734,000.

Audit Committee

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Koh Tiong Lu, John (Chairman), Mr. Wong Chun Keung and Mr. Xia Lichuan. During the year, Mr. Gao Zongze resigned as a member of the Audit Committee with effect from 1 April 2011. The Audit Committee has adopted a written set of terms of reference in accordance with the Code Provisions.

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

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

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

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

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

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

Details of attendance records of each member of the Audit Committee at the meetings of the Audit Committee during the year ended 31 December 2011 and up to the date of this report are as follows:

	Attendance
Independent non-executive Directors	
Mr. Koh Tiong Lu, John	5/5
Mr. Wong Chun Keung	5/5
Mr. Xia Lichuan	5/5
Mr. Gao Zongze (resigned with effect from 1 April 2011)	0/1

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

Directors' and Auditors' Responsibilities for Financial Statements

The Directors are responsible for the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Group. In preparing the financial statements for the year ended 31 December 2011, the Directors have selected appropriate accounting policies and applied them consistently, and have prepared the financial statements on a going concern basis.

The responsibilities of the external auditors are set out in the Independent Auditor's Report to the shareholders of the Company on pages 47 to 48 of this report.

Internal Control

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

Corporate Communication

The Board recognizes the importance of good communications with all shareholders. The Company encourages two-way communications with both its institutional and private investors. Extensive information about the Company's activities is provided in its interim report and this annual report, which are sent to shareholders of the Company. The annual general meeting provides a valuable forum for direct communication between the Board and the Company's shareholders. The Chairman of the Board as well as the external auditor are present to answer shareholders' questions. The annual general meeting circulars are distributed to all shareholders at least 20 clear business days before the meeting. Separate resolutions are proposed at general meetings on each separate issue and voting of which are taken by poll pursuant to the Listing Rules. Any results of the poll are published on the Company's and the Stock Exchange's website. All corporate communication with shareholders will be posted on the Company's and the Stock Exchange's website for shareholders' information.

Independent Auditor's Report

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TO THE SHAREHOLDERS 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)

We have audited the consolidated financial statements of China Lumena New Materials Corp. ("the Company") and its subsidiaries (together "the Group") set out on pages 49 to 150, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body in accordance with the terms of our 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.

Independent Auditor's Report

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

Hong Kong, 30 March 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Revenue	7	**4,575,759**	1,961,215
Cost of sales		**(1,672,296)**	(541,551)
Gross profit		**2,903,463**	1,419,664
Other revenue and gains	8	**101,593**	23,744
Selling and distribution expenses		**(157,990)**	(9,872)
Other operating expenses		**(694,461)**	(139,522)
Finance costs	9	**(423,535)**	(241,569)
Profit before income tax	10	**1,729,070**	1,052,445
Income tax expense	11	**(456,805)**	(323,103)
Profit for the year	12	**1,272,265**	729,342
Other comprehensive income			
Exchange gain on translation of financial statements of foreign operations		**63,065**	23,294
Other comprehensive income for the year, net of tax		**63,065**	23,294
Total comprehensive income for the year		**1,335,330**	752,636

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Profit for the year attributable to:			
Owners of the Company		**1,253,286**	729,342
Non-controlling interests		**18,979**	–
		1,272,265	729,342
Total comprehensive income attributable to:			
Owners of the Company		**1,316,351**	752,636
Non-controlling interests		**18,979**	–
		1,335,330	752,636
		RMB cents	RMB cents
Earnings per share for profit attributable to owners of the Company during the year	13		
– Basic		**23.23**	37.42
– Diluted		**23.20**	37.32

Consolidated Statement of Financial Position

As at 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	**7,093,510**	2,419,315
Investment properties	17	**101,900**	–
Land use rights	18	**285,927**	82,582
Goodwill	19	**5,745,525**	8,386
Mining rights	20	**366,396**	380,717
Other intangible assets	21	**1,130,679**	17,588
Deposits and prepayments	22	**381,096**	5,651
Pledged deposit	27	**4,000**	–
		15,109,033	2,914,239
Current assets			
Inventories	24	**67,316**	8,035
Trade and other receivables	25	**1,362,019**	766,973
Pledged deposits	27	**152,568**	91,024
Cash and cash equivalents	28	**2,631,426**	1,134,564
		4,213,329	2,000,596
Current liabilities			
Trade and other payables	29	**657,523**	205,047
Borrowings	30	**1,737,528**	531,700
Loan commitment	32	**64,778**	–
Tax payable		**185,320**	15,409
		2,645,149	752,156
Net current assets		**1,568,180**	1,248,440
Total assets less current liabilities		**16,677,213**	4,162,679

Consolidated Statement of Financial Position

As at 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Non-current liabilities			
Borrowings	30	**695,823**	–
Fixed rate senior notes	31	**1,537,511**	1,588,669
Convertible bonds	32	**723,669**	–
Deferred tax liabilities	34	**412,547**	30,616
		3,369,550	1,619,285
Net assets		**13,307,663**	2,543,394
EQUITY			
Share capital	35	**383**	145
Reserves	36(b)	**13,307,280**	2,543,249
Total equity		**13,307,663**	2,543,394

On behalf of the Board

Director **Director**

Statement of Financial Position

As at 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
ASSETS AND LIABILITIES			
Non-current asset			
Interests in subsidiaries	23	**10,613,432**	725,759
Current assets			
Other receivables	25	**5,565**	24,185
Loans to subsidiaries	26	**2,293,151**	1,283,135
Pledged deposits	27	**122,568**	79,024
Cash and cash equivalents	28	**9,601**	54,772
		2,430,885	1,441,116
Current liabilities			
Other payables	29	**70,048**	40,366
Borrowings	30	**603,784**	–
Loan commitment	32	**64,778**	–
		738,610	40,366
Net current assets		**1,692,275**	1,400,750
Total assets less current liabilities		**12,305,707**	2,126,509
Non-current liabilities			
Borrowings	30	**453,352**	–
Fixed rate senior notes	31	**1,537,511**	1,588,669
Convertible bonds	32	**723,669**	–
		2,714,532	1,588,669
Net assets		**9,591,175**	537,840

Statement of Financial Position

As at 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
EQUITY			
Share capital	35	**383**	145
Reserves	36(a)	**9,590,792**	537,695
Total equity		**9,591,175**	537,840

On behalf of the Board

Director

Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 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
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	3	91,045	–	(9,635)	–	–	–	–	–	–	81,413
Recognition of share-based payments	–	–	–	23,110	–	–	–	–	–	–	23,110
Repurchase and cancellation of shares (note 35(iv))	(1)	(12,779)	1	–	–	–	–	–	–	(1)	(12,780)
Interim dividend paid (note 14)	–	–	–	–	–	–	–	–	–	(89,227)	(89,227)
Proposed final dividend (note 14)	–	–	–	–	–	–	–	–	93,000	(93,000)	–
Transactions with owners	2	78,266	1	13,475	–	–	–	–	93,000	(182,228)	2,516
Profit for the year	–	–	–	–	–	–	–	–	–	729,342	729,342
Other comprehensive income											
Exchange gain on translation of financial statements of foreign operations	–	–	–	–	–	–	–	23,294	–	–	23,294
Total comprehensive income for the year	–	–	–	–	–	–	–	23,294	–	729,342	752,636
Appropriations to statutory reserves	–	–	–	–	–	–	79,790	–	–	(79,790)	–
Lapse of share options	–	–	–	(13,674)	–	–	–	–	–	13,674	–
At 31 December 2010 and 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

Consolidated Statement of Changes in Equity

For the year ended 31 December 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	Convertible bonds equity reserve* RMB'000	General reserve* RMB'000	Statutory reserves* RMB'000	Translation reserve* RMB'000	Dividend reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2010 and 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
Exercise of share options	3	139,712	-	(16,319)	-	-	-	-	-	-	-	123,396	-	123,396
Issue of convertible bonds	-	-	-	-	-	39,255	-	-	-	-	-	39,255	-	39,255
Issue of ordinary shares (note 35(ii))	23	808,246	-	-	-	-	-	-	-	-	-	808,269	-	808,269
Acquisition of subsidiaries (note 35(iii) and note 38)	216	8,911,798	-	-	-	-	-	-	-	-	-	8,912,014	187,409	9,099,423
Acquisition of non-controlling interests in subsidiaries (note 38(b))	-	-	-	-	-	-	(201,548)	-	-	-	-	(201,548)	(206,388)	(407,936)
Expenses of share issues	-	(50,211)	-	-	-	-	-	-	-	-	-	(50,211)	-	(50,211)
Recognition of share-based payments	-	-	-	157,775	-	-	-	-	-	-	-	157,775	-	157,775
Repurchase and cancellation of shares (note 35(iv))	(4)	(54,428)	4	-	-	-	-	-	-	-	(4)	(54,432)	-	(54,432)
Dividend paid for 2010 (note 14)	-	-	-	-	-	-	-	-	-	(93,000)	-	(93,000)	-	(93,000)
Interim dividend paid (note 14)	-	-	-	-	-	-	-	-	-	-	(193,600)	(193,600)	-	(193,600)
Proposed final dividend (note 14)	-	-	-	-	-	-	-	-	-	119,709	(119,709)	-	-	-
Transactions with owners	238	9,755,117	4	141,456	-	39,255	(201,548)	-	-	26,709	(313,313)	9,447,918	(18,979)	9,428,939
Profit for the year	-	-	-	-	-	-	-	-	-	-	1,253,286	1,253,286	18,979	1,272,265
Other comprehensive income														
Exchange gain on translation of financial statements of foreign operations	-	-	-	-	-	-	-	-	63,065	-	-	63,065	-	63,065
Total comprehensive income for the year	-	-	-	-	-	-	-	-	63,065	-	1,253,286	1,316,351	18,979	1,335,330
Appropriations to statutory reserves	-	-	-	-	-	-	-	121,980	-	-	(121,980)	-	-	-
Lapse of share options	-	-	-	(9,336)	-	-	-	-	-	-	9,336	-	-	-
At 31 December 2011	**383**	**10,518,007**	**5**	**165,362**	**103,539**	**39,255**	**(413,367)**	**428,284**	**153,127**	**119,709**	**2,193,359**	**13,307,663**	**-**	**13,307,663**

* These reserve accounts comprised the consolidated reserves of approximately RMB13,307,280,000 (2010: RMB2,543,249,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	2011 RMB'000	2010 RMB'000
Cash flows from operating activities		
Profit before income tax	**1,729,070**	1,052,445
Adjustments for:		
Interest income	**(22,837)**	(8,654)
Finance expense	**423,535**	241,569
Depreciation of property, plant and equipment	**366,953**	82,461
Amortisation of land use rights	**4,624**	1,303
Amortisation of mining rights	**14,321**	12,763
Amortisation of other intangible assets	**104,909**	–
Equity-settled share-based payments	**157,775**	23,110
Fair value gain on investment properties	**(4,300)**	–
Gain on disposal of property, plant and equipment	**(86)**	–
Impairment of trade receivables	**79,885**	–
Write-off of other receivables	**1,051**	–
Foreign exchange differences	**(36,252)**	(10,497)
Operating profit before working capital changes	**2,818,648**	1,394,500
Decrease in inventories	**4,243**	5,525
Increase in trade and other receivables	**(120,842)**	(253,504)
Decrease in trade and other payables	**(67,371)**	(95,265)
Cash generated from operations	**2,634,678**	1,051,256
Income tax paid	**(474,836)**	(323,682)
Net cash generated from operating activities	**2,159,842**	727,574

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	2011 RMB'000	2010 RMB'000
Cash flows from investing activities		
Acquisition of subsidiaries	**512,595**	–
Refund of deposits paid for acquisition of mining rights	**–**	113,352
Interest received	**22,837**	8,654
Proceeds from disposal of property, plant and equipment	**145**	–
(Increase)/Decrease in pledged deposits	**(2,132)**	74,972
Purchases of property, plant and equipment	**(2,571,456)**	(639,991)
Deposits paid for acquisition of property, plant and equipment	**(140,777)**	–
Payment for purchase of land use rights	**(43,669)**	–
Other deposits paid	**(6,132)**	–
Net cash used in investing activities	**(2,228,589)**	(443,013)
Cash flows from financing activities		
Proceeds from new borrowings	**1,922,240**	411,700
Repayment of borrowings	**(1,386,020)**	(236,500)
Dividend paid	**(274,984)**	(89,227)
Interest paid	**(286,953)**	(227,357)
Proceeds from issuance of share capital	**931,665**	81,413
Proceeds from issuance of convertible bonds	**770,294**	–
Repurchase and cancellation of shares	**(54,432)**	(12,780)
Share issue expenses	**(50,211)**	–
Net cash generated from/(used in) financing activities	**1,571,599**	(72,751)
Net increase in cash and cash equivalents	**1,502,852**	211,810
Cash and cash equivalents at 1 January	**1,134,564**	929,467
Effect of foreign exchange rate changes, on cash held	**(5,990)**	(6,713)
Cash and cash equivalents at 31 December	**2,631,426**	1,134,564

1. GENERAL

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 address of the Company's registered office is located at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands and its principal place of business is situated at Unit 7503B, 7504 and 7505, Level 75, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

The Company and its subsidiaries (collectively the "Group") were involved in the following principal activities during the year:

- Processing and sale of powder thenardite, specialty thenardite and medical thenardite
- Manufacturing and selling of polyphenylene sulfide ("PPS") products including PPS resin, PPS fibre and PPS compounds

Pursuant to the acquisition transactions as fully explained in note 38, all the equity interest of Sino Polymer New Materials Co., Ltd. ("Sino Polymer") were acquired by the Group during the year ended 31 December 2011. The acquisitions of the controlling interest and the remaining interest were completed on 14 January 2011 and 9 June 2011 respectively. Sino Polymer and its subsidiaries are principally engaged in manufacturing and selling of PPS products including PPS resin, PPS fibre and PPS compounds. Details of the subsidiaries are set out in note 23.

The financial statements for the year ended 31 December 2011 were approved for issue by the board of directors on 30 March 2012.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

(a) 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-Int14	Prepayment of a Minimum Funding Requirement
IFRIC-Int19	Extinguishing Financial Liabilities with Equity Instruments

Except as explained below, the adoption of these new/revised standards has no material impact on the Group's financial statements.

The principal effects of adopting these new and revised IFRSs are as follows:

IAS 24 (Revised) – Related Party Disclosures

IAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has reassessed the identification of its related parties in accordance with the revised definition and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous years.

IAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

(b) New/revised IFRSs that have been issued but are not yet effective

The Group has not applied the following new and revised IFRSs, that have been issued, but are not yet effective in these financial statements.

Amendments to IFRS 7 (2010)	Disclosures – Transfers of Financial Assets[1]
Amendments to IAS 12	Deferred Tax – Recovery of Underlying Assets[2]
Amendments to IAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[3]
Amendments to IAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities[5]
Amendments to IFRS 7 (2011)	Disclosures – Offsetting Financial Assets and Financial Liabilities[4]
IFRS 9	Financial Instruments[6]
IFRS 10	Consolidated Financial Statements[4]
IFRS 11	Joint Arrangements[4]
IFRS 12	Disclosure of Interests in Other Entities[4]
IFRS 13	Fair Value Measurement[4]
IAS 19 (2011)	Employee Benefits[4]
IAS 27 (2011)	Separate Financial Statements[4]
IAS 28 (2011)	Investments in Associates and Joint Ventures[4]
IFRIC-Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

Information on new and amended IFRSs that are expected to affect the Group is as follows:

Amendments to IAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

(b) New/revised IFRSs that have been issued but are not yet effective *(continued)*

IFRS 9 – Financial Instruments

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

In November 2010, additions were issued to IFRS 9 to address financial liabilities (the "Additions") and incorporated in IFRS 9 the current derecognition principles of financial instruments of IAS 39. Most of the Additions were carried forward unchanged from IAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt IFRS 9 from 1 January 2015.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

(b) New/revised IFRSs that have been issued but are not yet effective *(continued)*

IFRS 10 – Consolidated Financial Statements

IFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. IFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of IFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing IAS 27 on other consolidation related matters are carried forward unchanged. IFRS 10 is applied retrospectively subject to certain transitional provisions.

The Group is in the process of making an assessment of the potential impact of these new/revised IFRSs and the directors so far concluded that the application of these new/revised IFRSs will have no material impact on the Group's financial statements.

3. BASIS OF PREPARATION

3.1 Statement of compliance

The financial statements of the Group on pages 49 to 150 have been prepared in accordance with International Financial Reporting Standards, which collective term includes all applicable individual International Financial Reporting Standards and Interpretations approved by the International Accounting Standards Board ("IASB"), and all applicable individual International Accounting Standards and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by IASB. The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

3. BASIS OF PREPARATION *(continued)*

3.2 Basis of measurement

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

The financial statements have been prepared under historical cost convention except for investment properties which have been measured at fair value. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5.

3.3 Functional and presentation currency

The functional currency of the Company is Hong Kong dollars ("HKD"). The financial statements are presented in Renminbi ("RMB"), since the major subsidiaries of the Group are operating in a RMB environment and the functional currency of the major subsidiaries is RMB.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

4.2 Subsidiaries

Subsidiaries are entities (including special purpose entity) over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating polices of the entities so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.2 Subsidiaries *(continued)*

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

4.3 Business combination and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.3 Business combination and goodwill *(continued)*

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less any impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units ("CGU") that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

4.4 Property, plant and equipment

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.4 Property, plant and equipment *(continued)*

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

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

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

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4.5 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 as described in note 4.15.

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 (note 4.4) 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.6 Payments for leasehold land held for own use under operating leases

Payments for leasehold land held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense.

4.7 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on straight-line basis over the lease term.

The Group as lessee

The total rentals payable under the operating leases are recognised in profit or loss on straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

4.8 Intangible assets (other than goodwill)

Trademark acquired in a business combination

Trademark acquired in a business combination is identified and recognised separately from goodwill where it satisfies the definition of an intangible asset. It is measured on initial recognition at cost which is the fair value as at the date of acquisition. Intangible assets with indefinite useful lives are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Such intangible assets are not amortised.

An impairment loss is recognised as an expense immediately. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.8 Intangible assets (other than goodwill) *(continued)*

Trademark acquired in a business combination *(continued)*
The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable.

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.

4.9 Mining rights

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

4.10 Financial Instruments

(i) Financial assets

The Group classifies its financial assets as loans and receivables. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and, where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.10 Financial Instruments *(continued)*

(i) Financial assets *(continued)*

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

(ii) Impairment loss on financial assets

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

– Significant financial difficulty of the debtor;

– A breach of contract, such as a default or delinquency in interest or principal payments;

– It becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.10 Financial Instruments *(continued)*

(ii) Impairment loss on financial assets *(continued)*

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

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of impairment loss is recognised in profit or loss of the period in which the impairment occurs. The carrying amount of loans and receivables is directly reduced by any identified amount of impairment. Impaired debts are derecognised when they are assessed as uncollectible.

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

(iii) Financial liabilities

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

Financial liabilities at amortised cost

Financial liabilities at amortised cost included trade and other payables and borrowings.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.10 Financial Instruments *(continued)*

(iii) Financial liabilities *(continued)*

Financial liabilities at amortised cost (continued)

Borrowings are recognised initially at fair value, net of directly attributable transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the year of the borrowings using effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of statement of financial position.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (note 4.21).

Financial liabilities are derecognised when the obligations specified in the relevant contract is discharged or cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

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

4.11 Convertible bonds

The convertible bonds of USD120 million issued by the Company that contain both the liability and conversion option are classified separately into their respective items on initial recognition. 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, these are accounted for as an equity instrument.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.11 Convertible bonds *(continued)*

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 fair value of the convertible bonds of USD120 million. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The interest expenses recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the convertible bonds equity reserve until either the convertible bonds are converted or redeemed.

If the convertible bonds are converted, the convertible bonds 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 bonds equity reserve is released directly to retained profits.

4.12 Loan commitment fees received

Upon issuance of the convertible bonds as described in note 4.11, 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.

If it is probable that the Group will enter into a specific lending arrangement and the loan commitment is not within the scope of IAS 39, the loan commitment fees received is regarded as compensation for the ongoing involvement with the issuance of a financial instrument and is deferred and recognised as an adjustment to the effective interest rate. If the loan commitment expires without the Group making the loan, the fee is recognised as revenue on expiry.

If it is not probable that the Group will enter a specific lending arrangement, and the loan commitment is not within the scope of IAS 39, the loan commitment fees received are recognised as revenue on a time proportion basis over the commitment period.

Loan commitments within the scope of IAS 39 are accounted for as derivatives and measured at fair value.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.13 Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition is accounted for as follows:

Raw materials	–	Purchase cost on a weighted average basis
Finished goods and work in progress	–	Cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity

Net realisable value is the estimated selling price in the ordinary courses of business, less estimated costs of completion and the estimated costs necessary to make the sale.

4.14 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4.15 Revenue recognition

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

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

ii) Interest income is accrued on time-proportion basis using effective interest method.

iii) Rental income arising from operating leases on investment properties is accounted for on straight-line method over the lease terms.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.16 Income taxes

Income tax for the year comprises current tax and deferred tax.

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

Deferred tax is calculated using the liability method on all temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax credits and unused tax losses can be utilised.

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.16 Income taxes *(continued)*

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

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

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

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

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

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

(i) the same taxable entity; or

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

4.17 Foreign currencies

In preparing the financial statements of individual group entity, transactions in currencies other than the group entity's functional currency (i.e. foreign currency) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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

For the purpose of the consolidated financial statements, the assets and liabilities of the foreign entities which functional currency is not RMB are translated into RMB at the exchange rates ruling at the reporting date, and their statements of comprehensive income are translated into RMB at the average exchange rates for the year. Foreign exchange gains and losses arising thereon are recognised in other comprehensive income and accumulated in the translation reserve in equity. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.18 Retirement benefits costs

The Group's contributions to the Mandatory Provident Fund Scheme under the Mandatory Provident Fund Schemes Ordinance are expensed as incurred. Both the Group and its employees in Hong Kong are required to contribute 5% of each individual's relevant income with a maximum amount of HKD1,000 per month as a mandatory contribution. Employees may also elect to contribute more than the minimum as a voluntary contribution. The assets of the scheme are held in separate trustee-administered funds.

In accordance with the rules and regulations in the People's Republic of China (the "PRC"), the employees of the entities established in the PRC participate in defined contribution retirement benefits plans organised by regional governments. The regional governments undertake to assume the retirement benefit obligations of all existing and future retired employees payable under the plan described above. Contributions to these plans are expensed as incurred and other than these monthly contributions, the Group has no further obligation for the payment of retirement benefits of its employees. The assets of these plans are held separately from those of the Group in an independent fund managed by the PRC government.

The Group's contributions to the defined contribution retirement benefit plan are not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

4.19 Share-based payments

Equity-settled share-based payment

The Group operates equity-settled share-based compensation plans for remuneration of its employees. All employee services received in exchange for the grant of equity instruments e.g. share options are measured at their fair values. The cost of equity-settled share-based compensation is measured by reference to the fair value of the equity instruments at the date on which the financial instruments are granted. In determining the fair value, no account is taken of any non-market vesting conditions (for example, profitability and sales growth targets). In situations where equity instruments are issued and some or all of the goods or services received by the Group as consideration cannot be specifically identified, the unidentifiable goods or services are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.19 Share-based payments *(continued)*

Equity-settled share-based payment *(continued)*
When share options are granted to non-employee in exchange for services, they are measured at the fair value of the services received. The fair value is recognised as expense over the vesting period, if applicable, unless the services qualify for recognition as assets. Corresponding entries have been made to equity.

Equity-settled share-based compensation in relation to the pre-IPO share option scheme and share option scheme is recognised as an expense in profit or loss with a corresponding increase in equity. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non market vesting conditions are included in assumptions about the number of equity instruments that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied. In respect of share options, the fair value of the share options granted by the Group to its employees is recognised in profit or loss with a corresponding increase in employee share-based compensation reserve. Upon exercise of the share options, the amount in the employee share-based compensation reserve is transferred to the share premium account. In case the share options are lapsed, the amount in the employee share-based compensation reserve is released directly to retained profits.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.20 Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- land use rights;
- prepaid lease payments;
- mining rights;
- other intangible asset; and
- the Company's interests in subsidiaries.

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value-in-use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4.21 Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.22 Government grants

Government grants are recognised as income when there is reasonable assurance that the conditions attaching to such grants are complied with the rights to receive payment have been established. When the grant relates to an expense item, it is recognised as other revenue and presented as such over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

4.23 Research and development costs

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

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

4.24 Provision and contingent liabilities

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the reporting date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.25 Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

4.26 Share capital

Ordinary shares with discretionary dividends are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share premium to the extent they are incremental costs directly attributable to the equity transactions.

4.27 Segment reporting

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

4.28 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the Group's accounting policies, which are described in note 4, management has made various estimates and judgements which are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Estimates and judgements are continually evaluated. The key source of estimation uncertainty and accounting judgements that result in significant risk of causing a material adjustment to the carrying amount of assets and liabilities in the next financial year or significantly affect the amounts recognised in the financial statements are discussed below:

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 4.3. The recoverable amounts of CGU have been determined based on fair value less costs to sell calculations. These calculations require the use of estimates. Details of the estimates used in assessing impairment for goodwill are set out in note 19.

Impairment of other assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Indefinite life intangible assets are tested for impairment annually and at other times when such indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When fair value less costs to sell calculations are undertaken, management must estimate the expected future cash flows from the asset or CGU and choose a suitable discount rate in order to calculate the present value of those cash flows. Details about the estimates used in assessing impairment for indefinite life intangible assets are set out in note 21.

Impairment of receivables

The Group's management determines the provision for impairment of receivables. This estimate is based on the evaluation of collectability and ageing analysis of receivables and on management's judgement. A considerable amount of judgement is required in assessing the expected timing of collection and ultimate realisation of these receivables, including credit worthiness and collection history of each customer and other debtor. Management will reassess the provision at each reporting date. If the financial conditions of the customers or debtors of the Group deteriorate thus resulting in impairment as to their ability to make payment, additional allowances may be required.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives for the property, plant and equipment of the Group. This estimate is based on the historical experience of the actual useful lives of the relevant assets of similar nature and functions. The estimated useful lives could be different as a result of technical innovations which could affect the related depreciation charges included in profit or loss.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

Estimate of fair value of investment properties

As disclosed in note 4.5, the investment properties were revaluated at the end of each reporting period by independent professional valuers. Such valuations were based on certain assumptions which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

Provision for reclamation and closure cost

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

6. 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 year)	Manufacturing and selling of PPS products including PPS resin, PPS fibre and PPS compounds

Inter-segment transactions are priced with reference to prices charged to external parties for similar order. Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments profit that is used by the executive directors for assessment of segment performance.

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. 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 any operating segment as these assets are managed on a group basis.

6. SEGMENT INFORMATION *(continued)*

Segment liabilities include trade and other payables, borrowings, loan commitment, convertible bonds and fixed rate senior notes attributable to the manufacturing and sales activities of the individual segments. Certain other payables 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	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Total segment revenue	**2,109,317**	1,961,215	**2,535,475**	–	**4,644,792**	1,961,215
Inter-segment revenue	**(69,033)**	–	**–**	–	**(69,033)**	–
Revenue from external customers	**2,040,284**	1,961,215	**2,535,475**	–	**4,575,759**	1,961,215
Reportable segment profit	**863,575**	1,142,973	**1,119,027**	–	**1,982,602**	1,142,973
Interest income	**10,570**	8,614	**12,267**	–	**22,837**	8,614
Finance expense	**(246,741)**	(241,569)	**(176,794)**	–	**(423,535)**	(241,569)
Depreciation and amortisation	**(123,555)**	(95,169)	**(364,756)**	–	**(488,311)**	(95,169)
Impairment of trade receivables	**(79,885)**	–	**–**	–	**(79,885)**	–
Write-off of other receivables	**–**	–	**(1,051)**	–	**(1,051)**	–

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

	Mining and thenardite business		PPS business		Total	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Reportable segment assets	**5,564,038**	4,741,035	**13,611,914**	–	**19,175,952**	4,741,035
Additions to non-current segment assets	**345,554**	915,308	**6,374,044**	–	**6,719,598**	915,308
Reportable segment liabilities	**(2,899,960)**	(2,368,732)	**(3,088,979)**	–	**(5,988,939)**	(2,368,732)

6. SEGMENT INFORMATION *(continued)*

Reconciliation of reportable segment profit, assets and liabilities

	2011 RMB'000	2010 RMB'000
Profit		
Reportable segment profit	**1,982,602**	1,142,973
Equity-settled share-based payment expenses	**(157,775)**	(23,110)
Depreciation	**(2,496)**	(1,358)
Corporate income	**8,842**	40
Corporate expenses	**(102,103)**	(66,100)
Profit before income tax	**1,729,070**	1,052,445
Assets		
Reportable segment assets	**19,175,952**	4,741,035
Unallocated corporate assets	**146,410**	173,800
Group assets	**19,322,362**	4,914,835
Liabilities		
Reportable segment liabilities	**5,988,939**	2,368,732
Unallocated corporate liabilities	**25,760**	2,709
Group liabilities	**6,014,699**	2,371,441

6. SEGMENT INFORMATION *(continued)*

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

	Revenue from external customers		Non-current assets	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Local (country of domicile):				
– The PRC, other than Hong Kong	**4,534,845**	1,961,215	**15,098,548**	2,905,599
Hong Kong	**–**	–	**6,485**	8,640
Korea	**24,688**	–	**–**	–
Others	**16,226**	–	**–**	–
	40,914	–	**6,485**	8,640
	4,575,759	1,961,215	**15,105,033**	2,914,239

The geographical location of customers is based on the location at which the goods were delivered. The geographical location of the non-current assets is based on the physical location of the asset. Non-current assets include all assets with the exception of pledged deposit as described in note 27.

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

6. SEGMENT INFORMATION *(continued)*

Information about major customers

For the year ended 31 December 2011, there were two customers from the Group's PPS business segment (2010: one customer from the Group's mining and thenardite business segment), each of whom contributed 10% or more of the Group's total revenue. Revenue derived from these customers during the year amounted to RMB542,980,000 and RMB492,779,000 individually (2010: RMB442,447,000).

As at 31 December 2011, approximately RMB70,092,000 and RMB65,461,000 (2010: RMB72,809,000) were due from these customers.

7. REVENUE

Revenue, which is also the Group's turnover, represents the net amounts received and receivable for goods sold, less value-added tax and returns, for the year. The amount of each significant category of the revenue recognised is as follows:

	2011 **RMB'000**	2010 RMB'000
Revenue from mining and thenardite business		
– Powder thenardite	**132,412**	130,107
– Medical thenardite	**899,125**	790,374
– Specialty thenardite	**1,008,747**	1,040,734
	2,040,284	1,961,215
Revenue from PPS business		
– Coating PPS resin	**127,394**	–
– Injection PPS resin	**183,363**	–
– Film-grade PPS resin	**63,907**	–
– PPS fibre	**408,088**	–
– PPS compounds	**1,752,175**	–
– Raw materials	**548**	–
	2,535,475	–
Total	**4,575,759**	1,961,215

8. OTHER REVENUE AND GAINS

	2011 RMB'000	2010 RMB'000
Bank interest income	**22,837**	8,654
Gain on disposal of scrap materials	**2,283**	1,232
Gain on disposal of property, plant and equipment	**86**	–
Government subsidies*	**8,120**	300
Net foreign exchange gain	**54,978**	13,414
Rental income	**8,243**	102
Revaluation gain on investment properties	**4,300**	–
Others	**746**	42
	101,593	23,744

* Government subsidies mainly comprised unconditional subsidies of post-disaster reconstruction and technical innovation of the Group's business.

9. FINANCE COSTS

	2011 RMB'000	2010 RMB'000
Interest expenses on:		
Bank borrowings wholly repayable within five years	**136,161**	23,636
Other borrowings wholly repayable within five years	**46,579**	–
Convertible bonds	**102,488**	–
Fixed rate senior notes	**210,653**	217,933
Finance income of loan commitment	**(5,528)**	–
Arrangement fee of bank borrowings	**8,123**	–
	498,476	241,569
Less: Interest capitalised*	**(74,941)**	–
	423,535	241,569

* The borrowing costs have been capitalised at rate of 15% per annum for the year ended 31 December 2011 and included in construction in progress and assets under construction.

10. PROFIT BEFORE INCOME TAX

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

	2011	2010
	RMB'000	RMB'000
Auditor's remuneration	**3,734**	1,113
Amortisation of land use rights (note (i))	**4,624**	1,303
Amortisation of mining rights (note (i))	**14,321**	12,763
Amortisation of other intangible assets (note (i))	**104,909**	–
Cost of inventories recognised as an expense	**1,672,296**	541,551
Depreciation of property, plant and equipment (note (ii))	**366,953**	82,461
Impairment of trade receivables	**79,885**	–
Write-off of other receivables	**1,051**	–
Operating lease charges on rented premises	**14,842**	7,263
Outgoings in respect of investment properties	**401**	–
Research expenses	**106**	97
Staff costs (including directors' remuneration)		
– Wages, salaries and bonus	**258,340**	61,785
– Equity-settled share-based payments (note 37)	**157,775**	23,110
– Contribution to defined contribution pension plans	**8,661**	3,509
	424,776	88,404

Notes:

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

(ii) Depreciation of RMB346,362,000 (2010: RMB76,488,000), RMB252,000 (2010: RMB252,000) and RMB20,339,000 (2010: RMB5,721,000) has been charged to cost of sales, selling and distribution expenses and other operating expenses during the year respectively.

11. INCOME TAX EXPENSE

	2011 RMB'000	2010 RMB'000
PRC Enterprise Income Tax ("EIT")		
– current year	**490,778**	329,103
– overprovision for prior years	**–**	(6,000)
Deferred tax		
– current year (note 34)	**(33,973)**	–
Income tax expense	**456,805**	323,103

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any taxation under the jurisdiction of Cayman Islands and BVI during the year (2010: Nil).

(ii) No provision for Hong Kong profits tax has been made as the Group had no assessable profit arising in or derived from Hong Kong during the year (2010: Nil).

(iii) The subsidiaries established in the PRC are subject to 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 year ended 31 December 2011 (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 year ended 31 December 2011 is 12.5% (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 high-tech 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 year ended 31 December 2011 is 15% (2010: 15%).

11. INCOME TAX EXPENSE *(continued)*

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

	2011	2010
	RMB'000	RMB'000
Profit before income tax	**1,729,070**	1,052,445
Tax calculated at domestic tax rates applicable to profits in the respective jurisdictions	**481,654**	286,095
Effect of tax holidays of the PRC subsidiaries	**(143,774)**	–
Tax effect of expenses not deductible	**149,013**	54,212
Tax effect of income not taxable	**(30,088)**	(11,204)
Overprovision in respect of prior years	**–**	(6,000)
Income tax expense	**456,805**	323,103

12. PROFIT FOR THE YEAR

Of the consolidated profit attributable to owners of the Company of RMB1,253,286,000 (2010: RMB729,342,000), a loss of RMB620,810,000 (2010: RMB77,026,000) has been dealt with in the financial statements of the Company.

13. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of RMB1,253,286,000 (2010: RMB729,342,000) and the weighted average number of 5,395,844,731 (2010: 1,948,910,242) ordinary shares in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to owners of the Company of RMB1,253,286,000 (2010: RMB729,342,000) and the weighted average number of 5,401,771,274 (2010: 1,954,298,541) ordinary shares after adjusting for the effect of all dilutive potential ordinary shares under the Company's share options scheme.

13. EARNINGS PER SHARE *(continued)*

(b) Diluted earnings per share *(continued)*

Weighted average number of ordinary shares (diluted)

	2011 '000	2010 '000
Number of shares		
Weighted average number of ordinary shares used in basic earnings per share	**5,395,845**	1,948,910
Effect of share options	**5,926**	5,389
Weighted average number of ordinary shares used in diluted earnings per share*	**5,401,771**	1,954,299

* Because the diluted earnings per share amount is increased when taking convertible bonds into accounts, the convertible bonds had an anti-dilutive effect on the basic earnings per share for the year and were ignored in the calculation of diluted earnings per share.

14. DIVIDENDS

	2011 RMB'000	2010 RMB'000
Proposed final dividend of HK2.58 cents per ordinary share (equivalent to approximately RMB2.14 cents per ordinary share) (2010: RMB1.705 cents per ordinary share)	**119,709**	93,000
Interim dividend declared and paid during the year of HK4.165 cents per ordinary share (equivalent to approximately RMB3.428 cents per ordinary share) (2010: RMB4.589 cents per ordinary share)	**193,600**	89,227
	313,309	182,227

The final dividend proposed after the reporting date has not been recognised as a liability at the reporting date, but reflected as an appropriation of retained profits for the year ended 31 December 2011. In addition, the final dividend is subject to the shareholders' approval at the forthcoming annual general meeting of the Company.

15. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

Directors' emoluments

	Directors' fees RMB'000	Salaries, allowance and bonus RMB'000	Contribution to pension plans RMB'000	Equity-settled share-based payment expenses RMB'000	Total RMB'000
2011					
Executive directors					
Zhang Daming	–	863	10	2,643	3,516
Yu Man Chiu Rudolf	–	1,079	10	3,201	4,290
Zhang Zhigang (appointed on 1 April 2011)	–	100	5	4,210	4,315
Tan Jianyong (appointed on 1 April 2011)	–	564	20	3,224	3,808
Gou Xingwu (appointed on 1 April 2011)	–	560	3	1,904	2,467
Li Xudong (resigned on 1 April 2011)	–	–	–	5	5
Non-executive directors					
Suo Lang Duo Ji (resigned on 1 April 2011)	–	473	5	–	478
Zhang Songyi (resigned on 1 April 2011)	–	249	2	556	807
Wang Chun Lin (resigned on 1 April 2011)	–	269	2	–	271
Independent non-executive directors					
Koh Tiong Lu John	394	–	–	–	394
Wong Chun Keung	311	–	–	–	311
Xia Lichuan	187	–	–	–	187
Gao Zongze (resigned on 1 April 2011)	31	–	–	–	31
	923	4,157	57	15,743	20,880

15. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

Directors' emoluments *(continued)*

	Directors' fees RMB'000	Salaries, allowance and bonus RMB'000	Contribution to pension plans RMB'000	Equity-settled share-based payment expenses RMB'000	Total RMB'000
2010					
Executive directors					
Zhang Daming	–	1,602	11	1,168	2,781
Li Xudong	–	630	20	1,110	1,760
Yu Man Chiu Rudolf (appointed on 3 March 2010)	–	958	9	1,790	2,757
Deng Xianxue (resigned on 3 March 2010)	–	146	2	221	369
Non-executive directors					
Suo Lang Duo Ji	–	1,132	11	149	1,292
Zhang Songyi	–	1,132	11	1,653	2,796
Wang Chun Lin	–	1,222	11	931	2,164
Independent non-executive directors					
Koh Tiong Lu John	297	–	–	–	297
Wong Chun Keung	262	–	–	–	262
Gao Zongze (appointed on 3 March 2010)	98	–	–	–	98
Xia Lichuan (appointed on 3 March 2010)	109	–	–	–	109
Patrick Logan Keen (resigned on 31 July 2010)	203	–	–	–	203
	969	6,822	75	7,022	14,888

15. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

Directors' emoluments *(continued)*

No emoluments were paid by the Group to any directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2010: Nil).

There were no arrangements under which a director waived or agreed to waive any remuneration during the year (2010: Nil).

The value of share options granted to directors is measured according to the Group's accounting policy for share-based payments set out in note 4.19. Details of these benefits in kind including the principal terms and number of options granted are disclosed under the heading 'Share Options' in the directors' report.

Five highest paid individuals

The emolument payable to the five (2010: Nil) highest paid individuals during the year are as follows:

	2011	2010
	RMB'000	RMB'000
Salaries, allowance and bonus	**54,630**	–
Contribution to pension plans	**46**	–
Equity-settled share-based payment expenses	**1,542**	–
	56,218	–

The emolument falls within the following bands:

Emolument bands	**Number of individuals**	
RMB	**2011**	2010
10,000,001 – 10,500,000	**1**	–
10,500,001 – 11,000,000	**2**	–
11,000,001 – 11,500,000	**1**	–
13,500,001 – 14,000,000	**1**	–
	5	–

16. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Construction in progress RMB'000	Assets under construction RMB'000	Buildings and mining structures RMB'000	Furniture, machinery and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
At 31 December 2009						
At cost	304,102	–	749,061	665,504	4,768	1,723,435
Accumulated depreciation	–	–	(19,957)	(93,750)	(2,345)	(116,052)
Net book amount	304,102	–	729,104	571,754	2,423	1,607,383
Year ended 31 December 2010						
Opening net book amount	304,102	–	729,104	571,754	2,423	1,607,383
Additions	539,234	–	205,258	150,062	–	894,554
Depreciation	–	–	(36,238)	(45,466)	(757)	(82,461)
Exchange realignment	–	–	(55)	(89)	(17)	(161)
Reclassifications	(420,314)	–	420,314	–	–	–
Closing net book amount	423,022	–	1,318,383	676,261	1,649	2,419,315
At 31 December 2010						
At cost	423,022	–	1,374,555	815,451	4,701	2,617,729
Accumulated depreciation	–	–	(56,172)	(139,190)	(3,052)	(198,414)
Net book amount	423,022	–	1,318,383	676,261	1,649	2,419,315
Year ended 31 December 2011						
Opening net book amount	423,022	–	1,318,383	676,261	1,649	2,419,315
Additions	703,958	1,952,365	23	3,644	2,876	2,662,866
Acquisition through business combination (note 38(a))	2,133	–	368,007	2,004,584	4,000	2,378,724
Disposal	–	–	–	(5)	(54)	(59)
Depreciation	–	–	(65,581)	(298,947)	(2,425)	(366,953)
Exchange realignment	–	–	(132)	(239)	(12)	(383)
Reclassifications	(1,112,527)	–	488,979	623,548	–	–
Closing net book amount	16,586	1,952,365	2,109,679	3,008,846	6,034	7,093,510
At 31 December 2011						
At cost	16,586	1,952,365	2,231,382	3,406,386	11,071	7,617,790
Accumulated depreciation	–	–	(121,703)	(397,540)	(5,037)	(524,280)
Net book amount	16,586	1,952,365	2,109,679	3,008,846	6,034	7,093,510

16. PROPERTY, PLANT AND EQUIPMENT – GROUP *(continued)*

Notes:

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

– As at reporting date, certain buildings and mining structures, machinery and equipment were pledged to secure bank borrowings granted to the Group as disclosed in note 33.

– During the year ended 31 December 2011, the Group entered into a sale agreement with a third party to dispose of certain of its machinery, for a consideration of RMB80,000,000. Upon the disposal, the Group further entered into a lease with this third party to acquire the use of the disposed machinery. The lease covers a period of 2 years with total lease payments payable to the third party of approximately RMB91,943,000. At the end of the lease, the machinery will be transferred to the Group with no consideration.

  Since the above arrangement did not constitute a transfer of the economic benefit of the usage of the underlying machinery, but represented a financing activity in the way of instalment loans which are secured by the Group's assets, such arrangements are treated as loan financing with the total lease payment over the consideration for disposal treated as finance costs and charged to the consolidated statement of comprehensive income. As such, the machinery was not derecognised from the books and records of the Group, with the present value of the total lease payment treated as a secured loan and included in borrowings in the consolidated statements of financial position.

  As at 31 December 2011, the Group has paid a security deposit of RMB4,000,000, for the arrangement, which is to be off-set against the last payment of the lease in accordance with the terms of the lease. The amount has been recognised as a pledge deposit and included in other non-current assets (note 27).

  As at 31 December 2011, the carrying amount of the above loan amounted to approximately RMB76,085,000 which is included in borrowings of the Group (note 30) and secured by certain machinery with carrying amount of approximately RMB91,381,000.

17. INVESTMENT PROPERTIES – GROUP

	2011	2010
	RMB'000	RMB'000
Carrying amount at 1 January	**–**	–
Acquisition through business combination (note 38(a))	**97,600**	–
Change in fair value recognised in profit or loss	**4,300**	–
Carrying amount at 31 December	**101,900**	–

Investment properties represent buildings and land use rights located in the PRC. The land use rights were acquired with the lease period of 50 years. At 31 December 2011, the land use rights had remaining lease period of 45 years.

17. INVESTMENT PROPERTIES – GROUP *(continued)*

The Group's investment properties were revalued at the reporting date by independent professionally qualified valuers, BMI Appraisal Limited, on an open market basis. Fair values were determined by reference to comparable market transactions.

The investment properties are held for generating rental income under operating lease arrangements, further details of which are included in note 39.

18. LAND USE RIGHTS – GROUP

	2011	2010
	RMB'000	RMB'000
Net carrying amount at 1 January	**82,582**	57,084
Additions	**43,669**	26,801
Acquisition through business combination (note 38(a))	**164,300**	–
Amortisation charge	**(4,624)**	(1,303)
Net carrying amount at 31 December	**285,927**	82,582

Notes:

(i) The Group's interests in land use rights represent prepaid operating lease payments in respect of land located in the PRC. The land use rights were acquired with the lease period from 43 years to 50 years and are amortised over their lease periods. As at 31 December 2011, the land use rights have remaining lease periods from 31 to 48 years.

(ii) As at 31 December 2011, the Group's land use rights with carrying amount of RMB75,587,000 (2010: RMB8,051,000) were pledged to secured bank borrowings granted to the Group (note 33).

19. GOODWILL – GROUP

	2011	2010
	RMB'000	RMB'000
Acquisition of Chuanmei Mirabilite – Thenardite products CGU	**8,386**	8,386
Acquisition through business combination – PPS products CGU (note 38(a))	**5,737,139**	–
Net carrying amount	**5,745,525**	8,386

19. GOODWILL – GROUP *(continued)*

Note:

Goodwill arose from the acquisition of Chuanmei Mirabilite in 2004 and acquisition of approximately 94.1% equity interest in Sino Polymer.

Impairment testing of goodwill

Goodwill acquired has been allocated to the following cash-generating units for impairment testing:

Thenardite products CGU; and
PPS products CGU

Their recoverable amounts were determined based on a fair value less costs to sell calculation, covering a detailed five-year budget plan approved by senior management. The discount rate applied to the cash flow projections was 14.50% (2010: 22.89%). Cash flow beyond the five-year period is extrapolated using the estimated growth rate of 2% (2010: 5%). The growth rate does not exceed the projected long-term average growth rate for thenardite and PPS industry in the PRC. Based on the results of the impairment testing, management determines that there is no impairment of the CGUs of processing and sale of powder and medical thenardite and the CGU of manufacturing and selling of PPS products attributed to the goodwill.

Key assumptions were used for fair value less costs to sell calculation of the thenardite and PPS products CGUs. The following described each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – Management determined gross margin based on past experience in this market and its expectations for market development.

Discount rates – The discount rates used are after tax and reflect specific risks relating to the respective industries.

Apart from the considerations described above in determining the fair value less costs to sell of the CGUs above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

20. MINING RIGHTS – GROUP

	RMB'000
At 1 January 2010	
Cost	409,063
Accumulated amortisation	(18,213)
Net book value	390,850
Year ended 31 December 2010	
Opening net book amount	390,850
Additions	2,630
Amortisation charge	(12,763)
Closing net book amount	380,717
At 31 December 2010	
Cost	411,693
Accumulated amortisation	(30,976)
Net book value	380,717
Year ended 31 December 2011	
Opening net book amount	380,717
Amortisation charge	(14,321)
Closing net book amount	366,396
At 31 December 2011	
Cost	411,693
Accumulated amortisation	(45,297)
Net book value	366,396

Notes:

(i) The mining rights are amortised over their estimated useful life from 3.5 to 30 years.

(ii) Details of the Group's mining rights pledged to secure the Group's bank borrowings as at reporting date are set out in note 33 below.

21. OTHER INTANGIBLE ASSETS – GROUP

	Trademark (note (a)) RMB'000	Patents and technical know-how (note (b)) RMB'000	Customer relationship (note (b)) RMB'000	Total RMB'000
Cost				
At 1 January 2010 and at 1 January 2011	17,588	–	–	17,588
Acquisition through business combination (note 38(a))	–	826,600	391,400	1,218,000
At 31 December 2011	17,588	826,600	391,400	1,235,588
Accumulated amortisation				
At 1 January 2010 and at 1 January 2011	–	–	–	–
Amortisation charge	–	(48,451)	(56,458)	(104,909)
At 31 December 2011	–	(48,451)	(56,458)	(104,909)
Net carrying amount				
At 31 December 2011	17,588	778,149	334,942	1,130,679
At 31 December 2010	17,588	–	–	17,588

21. OTHER INTANGIBLE ASSETS – GROUP *(continued)*

Notes:

(a) Trademark as at 31 December 2011 arose from the acquisition of Chuanmei Mirabilite in 2004. The Group assessed the useful life and economic life of the trademark and concluded that the trademark have no foreseeable limit to the period which it is expected to generate net cash inflow for the Group and regarded the trading right as having indefinite useful life.

The carrying amount of the trademark with indefinite useful life at each reporting date is tested for impairment by the management by estimating its recoverable amount based on the fair value less costs to sell calculations. The calculations use cash flow projection based on the financial budgets approved by the management covering a period up to 2016. The discount rate applied to the cash flow projections was 14.50% (2010: 19.84%). Cash flow beyond the five-year period is extrapolated using the estimated growth rate of 2% (2010: 5%). The growth rate does not exceed the projected long-term average growth rate for thenardite industry in the PRC.

Based on the results of the impairment testing, management determines that there is no impairment of the CGU of processing and sale of thenardite attributed to the trademark.

Key assumptions were used for fair value less costs to sell calculation. The following described each key assumption on which management has based its cash flow projections to undertake impairment testing of trademark:

Budgeted gross margins – Management determined gross margin based on past experience in this market and its expectations for market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the respective industries.

Apart from the considerations described above in determining the fair value less costs to sell of the CGU above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

(b) Purchased patents and technical know-how and customer relationship in the acquisition of Sino Polymer (note 38(a)), fair values at acquisition of which were determined by reference to the independent valuation, are amortised on the straight-line basis over their estimated useful lives of 6.67 to 15 years.

22. DEPOSITS AND PREPAYMENTS – GROUP

	2011 RMB'000	2010 RMB'000
Deposits paid for:		
Property, plant and equipment	**370,634**	1,189
Others (note)	**10,462**	4,462
	381,096	5,651

Note:

On 27 September 2010, the Group entered into a memorandum of understanding and paid a deposit of RMB6,000,000 in respect of the acquisition of the entire equity interest in two companies which are principally engaged in the mining and production of thenardite products in the PRC. Further details of the acquisition are included in note 45.

23. INTERESTS IN SUBSIDIARIES – COMPANY

	2011 RMB'000	2010 RMB'000
Investment in subsidiaries	**10,000,687**	113,014
Amounts due from subsidiaries	**612,745**	612,745
	10,613,432	725,759

Amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, the settlement of these amounts due is neither planned nor likely to occur in the foreseeable future and in substance, the amounts due from subsidiaries are extensions of the Company's investments in these subsidiaries.

As at reporting date, the Company's interests in certain subsidiaries have been pledged as securities for the Company's issued fixed rate senior notes as shown in note 31.

23. INTERESTS IN SUBSIDIARIES – COMPANY *(continued)*

As at 31 December 2011, the particulars of the subsidiaries in which the Company has direct or indirect interests are set out as follows:

Name	Country/Place of incorporation/ establishment and type of legal entity	Particulars of issued and fully paid share capital/registered capital	Effective interest held by the Company	Principal activities
Interests held directly				
Rich Light International Limited	Incorporated in the BVI, limited liability company	U.S. dollars ("USD") 100	100%	Investment holding
Sino Polymer New Materials Co., Ltd*	Incorporated in the Cayman Islands, limited liability company	USD100,000,000	100%	Investment holding
Interests held indirectly				
Top Promise Resources Limited	Incorporated in Hong Kong, limited liability company	HKD1.0	100%	Investment holding
Grandco (Group) Limited	Incorporated in Hong Kong, limited liability company	HKD1.0	100%	Dormant
Sichuan Chuanmei Mirabilite Co., Ltd. 四川省川眉芒硝有限責任公司	Established in the PRC, foreign investment enterprise	RMB142,077,000	100%	Processing and sale of powder thenardite and medical thenardite
Sichuan Chuanmei Special Glauber Salt Co., Ltd. 四川川眉特種芒硝有限公司	Established in the PRC, wholly foreign-owned enterprise	USD75,000,000	100%	Processing and sale of powder thenardite, medical thenardite and specialty thenardite

23. INTERESTS IN SUBSIDIARIES – COMPANY *(continued)*

Name	Country/Place of incorporation/ establishment and type of legal entity	Particulars of issued and fully paid share capital/registered capital	Effective interest held by the Company	Principal activities
Haton Polymer & Fibre Limited*	Incorporated in the BVI, limited liability company	USD0.1	100%	Investment holding
Haton Polymer Limited*	Incorporated in Hong Kong, limited liability company	HKD1.0	100%	Investment holding
Sichuan Deyang Chemical Co., Ltd.* 四川得陽化學有限公司	Established in the PRC, foreign-owned enterprise	RMB190,000,000	100%	Manufacturing and selling of PPS resin including coating resin, injection resin, fibre resin and PPS compounds
Sichuan Deyang Special New Materials Co., Ltd.* 四川得陽特種新材料有限公司	Established in the PRC, foreign-owned enterprise	USD104,000,000	100%	Manufacturing and selling of PPS resin including coating resin, injection resin, fibre resin, film-grade resin, PPS fibre and PPS compounds
Sichuan Deyang Engineering Plastic Development Co., Ltd.* 四川得陽工程塑料開發有限公司	Established in the PRC, foreign-owned enterprise	RMB1,000,000	100%	Engineering plastics development and technology consulting services

* newly acquired during the year

24. INVENTORIES – GROUP

	2011 RMB'000	2010 RMB'000
Raw materials	**15,776**	6,852
Work-in-progress	**7,696**	–
Finished goods	**43,844**	1,183
	67,316	8,035

25. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Trade receivables	**1,062,303**	607,346	**–**	–
Less: provision for impairment	**(89,031)**	(9,146)	**–**	–
Trade receivables, net	**973,272**	598,200	**–**	–
Bills receivables	**2,787**	–	**–**	–
	976,059	598,200	**–**	–
Other receivables	**282,087**	32,226	**5,127**	1,658
Deposits and prepayments	**103,873**	136,547	**438**	22,527
	1,362,019	766,973	**5,565**	24,185

Trade receivables are non-interest bearing. Credit terms normally granted to the trade customers ranged from 45 days to 180 days (2010: 45 days to 180 days) depending on the customers' relationship with the Group, its creditworthiness and settlement record. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancement over its trade receivable balances.

25. TRADE AND OTHER RECEIVABLES *(continued)*

Ageing analysis of trade and bills receivables, based on the invoice date and net of provision, is as follows:

	2011	2010
	RMB'000	RMB'000
90 days or below	**715,918**	367,824
91 – 180 days	**248,397**	193,246
181 – 365 days	**6,498**	36,157
Over 365 days	**5,246**	973
	976,059	598,200

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

In general, trade receivables that are aged below one year are not considered impaired based on management's historical experience and the Group would consider impairment provision for trade receivables which are aged one year or above. The movement in provision for impairment of trade receivables is as follows:

	2011	2010
	RMB'000	RMB'000
At 1 January	**9,146**	9,146
Impairment loss recognised	**79,885**	–
At 31 December	**89,031**	9,146

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

25. TRADE AND OTHER RECEIVABLES *(continued)*

The individually impaired receivables mainly relate to management assessment that the entire amount of the receivable balances is unlikely to be recovered. The ageing analysis of trade receivables which were impaired and were provided for is as follows:

	2011	2010
	RMB'000	RMB'000
180- 365 days	**79,885**	–
Over 365 days	**9,146**	9,146
	89,031	9,146

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

	2011	2010
	RMB'000	RMB'000
1 – 90 days past due	**241,356**	123,414
91 – 180 days past due	**8,821**	4,252
181 – 365 days past due	**3,790**	453
Over 365 days past due	**1,577**	–
	255,544	128,119

Trade receivables of RMB720,515,000 (2010: RMB470,081,000) that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

25. TRADE AND OTHER RECEIVABLES *(continued)*

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

26. LOANS TO SUBSIDIARIES – COMPANY

The balances are unsecured, interest-bearing, ranged from nil to 6% per annum and repayable on demand. The directors considered that the carrying amounts of the balances approximate to their fair values.

27. PLEDGED DEPOSITS

As at 31 December 2011, pledged deposits were denominated in the following currencies:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
– RMB (note (i))	**34,000**	12,000	**–**	–
– HKD (note (ii))	**46,990**	–	**46,990**	–
– USD (note (iii))	**75,578**	79,024	**75,578**	79,024
	156,568	91,024	**122,568**	79,024

Notes:

(i) Certain deposits of the Group amounted to RMB30,000,000 (2010: RMB12,000,000) denominated in RMB have been pledged to secure RMB bank loans (note 30(ii)). It will be released upon the settlement of the relevant bank borrowing. The remaining balance of deposits amounted to RMB4,000,000 denominated in RMB was pledged to secure the sale and leaseback arrangement (notes 16 and 30).

(ii) Bank deposits of the Group and the Company amounted to RMB46,990,000 denominated in HKD have been pledged to secure USD bank loans (note 30).

(iii) Bank deposits of the Group and the Company amounted to RMB75,578,000 (2010: RMB79,024,000) denominated in USD have been pledged to secure RMB bank loans (note 30).

27. PLEDGED DEPOSITS *(continued)*

The maturity profile of the above pledge deposits is as follows:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Non-current				
In the second year	**4,000**	–	**–**	–
Current				
Within one year	**152,568**	91,024	**122,568**	79,024
	156,568	91,024	**122,568**	79,024

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

28. CASH AND CASH EQUIVALENTS

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and in hand	**2,459,332**	794,618	**132,169**	133,796
Short-term bank deposits	**294,662**	430,970	**–**	–
Less: Pledged bank deposits	**(122,568)**	(91,024)	**(122,568)**	(79,024)
Cash and cash equivalents as stated in the statement of financial position	**2,631,426**	1,134,564	**9,601**	54,772

Cash deposited with banks bear interest at effective interest rates ranging from 0.01% to 2.50% (2010: 0.01% to 0.36%) per annum.

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

28. CASH AND CASH EQUIVALENTS *(continued)*

The Group had cash and bank balances denominated in RMB amounting to approximately RMB2,619,647,000 (2010: RMB1,073,371,000) as at 31 December 2011, which were deposited with the banks in the PRC. RMB is currently not a freely convertible currency in the international market. The conversion of RMB into foreign currencies and remittance of RMB out of the PRC are subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

29. TRADE AND OTHER PAYABLES

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables	**120,608**	60,247	**–**	–
Bills payables	**30,430**	–	**–**	–
	151,038	60,247	**–**	–
Other payables	**458,365**	97,822	**70,048**	40,366
Receipts in advance	**48,120**	46,978	**–**	–
	657,523	205,047	**70,048**	40,366

29. TRADE AND OTHER PAYABLES *(continued)*

Ageing analysis of trade and bills payables is as follows:

	2011 RMB'000	2010 RMB'000
Outstanding balances with ages:		
– 90 days or below	**75,070**	40,251
– 91 – 180 days	**25,788**	5,997
– 181 – 365 days	**9,432**	6,179
– Over 365 days	**40,748**	7,820
	151,038	60,247

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

30. BORROWINGS

As at 31 December 2011, the Group's and the Company's borrowings were repayable as follows:

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Secured:				
Bank loans	**1,973,834**	531,700	**1,057,136**	–
Sale and leaseback borrowing (note 16)	**76,085**	–	**–**	–
	2,049,919	531,700	**1,057,136**	–
Unsecured:				
Other loan from a third party	**383,432**	–	**–**	–
	2,433,351	531,700	**1,057,136**	–

30. BORROWINGS *(continued)*

The maturity profile of the above borrowings is as follows:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current				
Within one year	**1,737,528**	531,700	**603,784**	–
Non-current				
In the second to fifth years	**695,823**	–	**453,352**	–
	2,433,351	531,700	**1,057,136**	–

The carrying amounts of the borrowings are denominated in the following currencies:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**1,440,568**	–	**1,057,136**	–
RMB	**992,783**	531,700	**–**	–
	2,433,351	531,700	**1,057,136**	–

The secured RMB bank loans of RMB992,783,000 as at 31 December 2011 (2010: RMB531,700,000) are collateralised by pledging of certain buildings, machinery and equipment and other assets of the Group as set out in note 33.

The USD bank loan of RMB1,057,136,000 is guaranteed by certain subsidiaries of the Company and are collateralised by pledged deposits denominated in HKD as set out in note 27(ii).

30. BORROWINGS *(continued)*

The exposure of borrowings to interest rate charges are as follows:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
– at fixed rates (note (i))	**383,432**	20,000	**–**	–
– at floating rates (note (ii))	**2,049,919**	511,700	**1,057,136**	–
	2,433,351	531,700	**1,057,136**	–

Notes:

(i) As at 31 December 2011, other loan from a third party of approximately RMB383,432,000 (2010: Nil) were arranged at fixed interest of 12% per annum. As at 31 December 2010, the RMB bank loan of RMB20,000,000 were arranged at fixed interest rate of 5.84% per annum.

(ii) As at 31 December 2011, the USD bank loans of approximately RMB1,057,136,000 (2010: Nil) were arranged at floating rates of 7.26% to 11.83% per annum.

As at 31 December 2011, the RMB bank loans of approximately RMB992,783,000 (2010: RMB511,700,000) were arranged at floating rates of 6.06% to 8.86% per annum (2010: 5.05% to 6.37%).

The carrying amounts of borrowings approximate to their fair value.

31. FIXED RATE SENIOR NOTES – GROUP AND COMPANY

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

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

31. FIXED RATE SENIOR NOTES – GROUP AND COMPANY *(continued)*

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.

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.

31. FIXED RATE SENIOR NOTES – GROUP AND COMPANY *(continued)*

The Notes recognised in the Company and consolidated statements of financial position are calculated as follows:

	2011 RMB'000	2010 RMB'000
Carrying amount as at 1 January	**1,588,669**	1,616,755
Interest expenses (note 9)	**210,653**	217,933
Interest paid	**(194,267)**	(203,721)
Exchange realignment	**(67,544)**	(42,298)
Carrying amount as at 31 December	**1,537,511**	1,588,669
Fair value of the Notes as at 31 December*	**1,395,101**	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.

32. CONVERTIBLE BONDS AND LOAN COMMITMENT – GROUP AND COMPANY

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 respect 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.

32. CONVERTIBLE BONDS AND LOAN COMMITMENT – GROUP AND COMPANY *(continued)*

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.

The conversion price is subject to adjustments 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 total proceeds received have been allocated between the Convertible Bonds and the loan commitment based on their relative fair values. The Convertible Bonds contain liability and equity components.

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 bonds equity reserve. The effective interest rate of the liability component is 25.97%.

32. CONVERTIBLE BONDS AND LOAN COMMITMENT – GROUP AND COMPANY *(continued)*

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

	Liability component RMB'000	**Loan commitment** RMB'000	**Equity component** 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 9)	102,488	–	–
Interest paid	(24,475)	–	–
Recognised in profit or loss (note 9)	–	(5,528)	–
Exchange realignment	(13,774)	(1,303)	–
Carrying amount as at 31 December	723,669	64,778	39,255

Analysed for reporting purposes as:

	Liability component RMB'000	**Loan commitment** RMB'000	**Equity component** RMB'000
Loan commitment included in current liabilities	–	64,778	–
Convertible Bonds included in non-current liabilities	723,669	–	–
Equity component included in convertible bonds equity reserve	–	–	39,255
	723,669	64,778	39,255

33. PLEDGE OF ASSETS

At 31 December 2011, the Group and the Company had pledged certain buildings, machinery and equipment and other assets to secure the credit facilities granted by certain banks. The carrying values of these assets pledged at the reporting date are as follows:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Buildings and mining structures (note 16)	**24,621**	29,676	**–**	–
Machinery and equipment (note 16)	**506,365**	245,093	**–**	–
Land use rights (note 18)	**75,587**	8,051	**–**	–
Mining rights (note 20)	**287,824**	293,394	**–**	–
Pledged deposits (note 27)	**156,568**	91,024	**122,568**	79,024
	1,050,965	667,238	**122,568**	79,024

34. DEFERRED TAX LIABILITIES – GROUP

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

	2011	2010
	RMB'000	RMB'000
At 1 January	**30,616**	30,616
Arising from business combination (note 38(a))	**415,904**	–
Credited to the profit or loss for the year (note 11)	**(33,973)**	–
At 31 December	**412,547**	30,616

34. DEFERRED TAX LIABILITIES – GROUP *(continued)*

The deferred tax liabilities recognised during the year are as follows:

	Withholding tax on the unremitted earning RMB'000	Fair value adjustments arising from business combination RMB'000	Revaluation of investment properties RMB'000	Interest capitalisation RMB'000	Total RMB'000
At 1 January	30,616	–	–	–	30,616
Arising from business combination (note 38(a))	–	415,904	–	–	415,904
(Credited)/Charged to profit or loss	–	(36,775)	1,075	1,727	(33,973)
At 31 December	30,616	379,129	1,075	1,727	412,547

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 10%. The Group is therefore liable to withholding tax on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated for the year.

As at 31 December 2011, deferred tax liabilities of approximately RMB30,616,000 (2010: RMB30,616,000) were recognised in respect of the unremitted earnings of the PRC subsidiaries. The aggregate amount of temporary differences associated with the PRC subsidiaries' undistributed retained earnings for which deferred tax liabilities have not been recognised are RMB2,206,853,000 (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.

At the reporting date, the Group's unused tax loss available for offset against future profits, not recognised as deferred tax assets, is approximately RMB84,459,000 (equivalent to approximately HKD103,087,000) (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.

35. SHARE CAPITAL – GROUP AND COMPANY

	Number of ordinary shares	Nominal value	
		USD	RMB'000
Authorised:			
At 1 January 2010	5,000,000,000	50,000	385
Increase in share capital (note (i))	5,000,000,000	50,000	333
At 31 December 2010, 1 January 2011 and 31 December 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			
– proceeds from shares issued	38,501,164	385	3
Repurchase and cancellation of shares (note (iv))	(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 (ii))	340,000,000	3,400	23
Issue of consideration shares for acquisition of subsidiaries (note (iii))	3,277,552,343	32,776	216
Exercise of share options			
– proceeds from shares issued	48,595,000	486	3
Repurchase and cancellation of shares (note (iv))	(53,908,000)	(539)	(4)
At 31 December 2011	5,593,962,007	55,941	383

35. SHARE CAPITAL – GROUP AND COMPANY *(continued)*

Notes:

(i) 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.

(ii) 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 net proceeds of approximately HKD955,400,000 (equivalent to 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.

(iii) As disclosed in notes 38(a) and 38(b), the Company issued 3,277,552,343 consideration shares in aggregate as part of the consideration for the acquisition of the 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.

(iv) During the year, the Company repurchased a total of 53,908,000 (2010: 7,436,000) ordinary shares of USD0.00001 each in the capital of the Company at an aggregate price of approximately HKD65,565,000 (equivalent to RMB54,432,000 (2010: HKD14,623,000 (equivalent to RMB12,780,000)). The repurchased shares were fully cancelled and the issued share capital of the Company was reduced by the nominal value of these shares accordingly. The premium payable on repurchase was charged against the share premium account. An amount equivalent to the nominal value of the shares cancelled was transferred from retained earnings to the capital redemption reserve.

36. RESERVES

(a) Company

Details of the Company's reserves are as follows:

	Share premium RMB'000	Capital redemption reserve RMB'000	Employee share-based compensation reserve RMB'000	Capital contribution RMB'000	Translation reserve RMB'000	Contributed surplus* RMB'000	Dividend reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2010	684,624	–	33,441	103,539	(811)	85,142	–	(302,571)	603,364
Exercise of share options	91,045	–	(9,635)	–	–	–	–	–	81,410
Recognition of share-based payments	–	–	23,110	–	–	–	–	–	23,110
Repurchase and cancellation of shares (note 35(iv))	(12,779)	1	–	–	–	–	–	(1)	(12,779)
Interim dividend paid	–	–	–	–	–	–	–	(89,227)	(89,227)
Proposed final dividend	–	–	–	–	–	–	93,000	(93,000)	–
Transactions with owners	78,266	1	13,475	–	–	–	93,000	(182,228)	2,514
Loss for the year	–	–	–	–	–	–	–	(77,026)	(77,026)
Exchange gain on translation of financial statements of foreign operations	–	–	–	–	8,843	–	–	–	8,843
Lapse of share options	–	–	(13,674)	–	–	–	–	13,674	–
At 31 December 2010	762,890	1	33,242	103,539	8,032	85,142	93,000	(548,151)	537,695

36. RESERVES *(continued)*

(a) Company *(continued)*

Details of the Company's reserves are as follows:

	Share premium RMB'000	Capital redemption reserve RMB'000	Employee share-based compensation reserve RMB'000	Capital contribution RMB'000	Translation reserve RMB'000	Contributed surplus* RMB'000	Convertible bonds equity reserve RMB'000	Dividend reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 31 December 2010 and 1 January 2011	762,890	1	33,242	103,539	8,032	85,142	–	93,000	(548,151)	537,695
Exercise of share options	139,712	–	(16,319)	–	–	–	–	–	–	123,393
Issue of convertible bonds	–	–	–	–	–	–	39,255	–	–	39,255
Recognition of share-based payments	–	–	157,775	–	–	–	–	–	–	157,775
Issue of ordinary shares (note 35(ii))	808,246	–	–	–	–	–	–	–	–	808,246
Acquisition of subsidiaries (note 35(iii) and note 38)	8,911,798	–	–	–	–	–	–	–	–	8,911,798
Expenses of share issues	(50,211)	–	–	–	–	–	–	–	–	(50,211)
Repurchase and cancellation of shares (note 35(iv))	(54,428)	4	–	–	–	–	–	–	(4)	(54,428)
Dividend paid for 2010	–	–	–	–	–	–	–	(93,000)	–	(93,000)
Interim dividend paid (note 14)	–	–	–	–	–	–	–	–	(193,600)	(193,600)
Proposed final dividend (note 14)	–	–	–	–	–	–	–	119,709	(119,709)	–
Transactions with owners	9,755,117	4	141,456	–	–	–	39,255	26,709	(313,313)	9,649,228
Loss for the year	–	–	–	–	–	–	–	–	(620,810)	(620,810)
Exchange gain on translation of financial statements of foreign operations	–	–	–	–	24,679	–	–	–	–	24,679
Lapse of share options	–	–	(9,336)	–	–	–	–	–	9,336	–
At 31 December 2011	**10,518,007**	**5**	**165,362**	**103,539**	**32,711**	**85,142**	**39,255**	**119,709**	**(1,472,938)**	**9,590,792**

* Contributed surplus represents the difference between the underlying net assets of the subsidiaries acquired by the Company and the nominal value of the shares issued by the Company pursuant to the shares swap for the Group reorganisation.

36. RESERVES *(continued)*

(b) Group

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

Employee share-based compensation reserve

Employee share-based compensation reserve is comprised of the fair value of the actual or estimated number of unvested share options granted to employees of the Group recognised in accordance with the accounting policy adopted for share-based employee compensation set out in note 4.19.

General reserve

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

Capital contribution

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

36. RESERVES *(continued)*

(b) Group *(continued)*

Statutory reserves

– *Statutory surplus reserve*
According to the relevant laws and regulations in the PRC, subsidiaries of the Group are required to transfer 10% of their profits after taxation after setting off the accumulated losses brought forward from prior years, as determined under PRC Accounting Regulations, to statutory surplus reserve until the reserve balance reaches 50% of the registered capital. Any further appropriation is optional. These reserves may be used to make good previous years' losses, if any, and may be converted to increase paid-up capital of the respective entities.

– *Statutory public welfare fund*
In accordance with the relevant laws and regulations in the PRC, the subsidiaries of the Group is required to appropriate certain portion of its profits after tax, as determined in accordance with the PRC Accounting Regulations, to the statutory public welfare fund but the amount of appropriation is determined by the board of directors. The statutory public welfare fund shall only apply to collective welfare of staff and workers and welfare facilities remain as properties of the Group.

37. SHARE-BASED EMPLOYEE COMPENSATION – COMPANY

(i) Pre-IPO share option scheme

Pursuant to a written resolution approved by the Company's shareholders on 30 April 2008, the pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") became effective. Certain executive directors, senior managerial staff and employees of the Group were granted options to recognise their contributions to the Group. Under the Pre-IPO Share Option Scheme, 198 individuals (the "Grantees") comprised of 3 directors, 7 senior managerial staff and 188 employees of the Group, were granted options conditionally. The exercise of the options would entitle the Grantees to purchase an aggregate of 76,000,000 shares of the Company immediately following completion of the global offering and the capitalisation issue at the offer price. The options vested on 16 June 2009, the date on which the shares of the Company were listed on the Stock Exchange (the "Listing Date"), and the Grantees remain in employment for a certain period of time. The options are exercisable by installments and up to 7 years since the Listing Date. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

37. SHARE-BASED EMPLOYEE COMPENSATION – COMPANY *(continued)*

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

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

	2011		2010	
	Number	**Weighted average exercise price HKD**	Number	Weighted average exercise price HKD
Outstanding at 1 January	**31,822,002**	**2**	49,001,500	2
Forfeited	**(1,498,000)**	**2**	(4,477,334)	2
Exercised	**(5,456,000)**	**2**	(12,701,164)	2
Expired	**–**	**–**	(1,000)	2
Outstanding at 31 December	**24,868,002**	**2**	31,822,002	2
Exercisable at 31 December	**14,545,003**	**2**	9,789,002	2

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

The weighted average share price for share options exercised during the year at the date of exercise was HKD3.04 (2010: HKD2.86).

The options outstanding at 31 December 2011 had exercise prices of HKD2.00 (2010: HKD2.00) and a weighted average remaining contractual life of 4.46 years (2010: 5.46 years).

37. SHARE-BASED EMPLOYEE COMPENSATION – COMPANY *(continued)*

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

The fair value of the options is determined using the Binomial Option Pricing Model that takes into account factors specific to the share incentive plans. The following table lists the inputs to the model used:

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

* The expected volatility is assumed based on the historical volatilities of the share prices of the comparable companies. It is assumed that the volatility is constant throughout the option life.

The fair value of the options granted is approximately HKD41,099,000 in aggregate, of which the Group recognised HKD2,069,000 (RMB1,718,000) (2010: HKD4,030,000 (RMB3,508,000)) as share option expense in the consolidated statement of comprehensive income for the year ended 31 December 2011. The corresponding amount has been credited to the employee share-based compensation reserve. No liabilities were recognised as those are equity settled share-based payments transactions.

(ii) Share option scheme

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

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

37. SHARE-BASED EMPLOYEE COMPENSATION – COMPANY *(continued)*

(ii) Share option scheme *(continued)*

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

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

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

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

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

37. SHARE-BASED EMPLOYEE COMPENSATION – COMPANY *(continued)*

(ii) Share option scheme *(continued)*

On 23 April 2010, the Company granted 60,000,000 share options to certain of its directors and employees for HKD1.00 consideration for each grant at an exercise price of HKD2.64 per share. The share options granted pursuant to the Share Option Scheme will be exercisable during three respective periods commencing from 23 April 2010 (save for the 5,000,000 share options granted to an executive director, which shall be exercisable from 1 July 2010), 1 January 2011 and 1 January 2012 and expiring on 31 December 2011, 31 December 2011 and 31 December 2012 respectively. Particulars of the share options granted under the Share Option Scheme were set forth in the announcement of the Company dated 23 April 2010.

On 14 January 2011, the Company granted 175,920,000 share options to certain of its directors and employees for HKD1.00 consideration for each grant at an exercise price of HKD3.28 per share. The 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 and expiring on 13 January 2012, 13 January 2013 and 13 January 2014 respectively. Particulars of the share options granted under the Share Option Scheme were set forth in the announcement of the Company dated 16 January 2011.

On 14 July 2011, the Company granted 536,600,000 share options to certain of its directors and employees for HKD1.00 consideration for each grant at an exercise price of HKD3.01 per share. The share options granted pursuant to the Share Option Scheme will be exercisable during three respective periods commencing from 14 July 2011, 14 July 2012 and 14 July 2013 and expiring on 13 July 2014. Particulars of the share options granted under the Share Option Scheme were set forth in the announcement of the Company dated 14 July 2011.

37. SHARE-BASED EMPLOYEE COMPENSATION – COMPANY *(continued)*

(ii) Share option scheme *(continued)*

Movement in share options at the reporting date are as follows:

	2011		2010	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Outstanding at 1 January	**51,300,000**	**3.03**	50,600,000	3.59
Granted	**712,520,000**	**3.08**	60,000,000	2.64
Exercised	**(43,139,000)**	**3.19**	(25,800,000)	2.64
Forfeited	**(3,600,000)**	**2.79**	(4,750,000)	3.59
Expired	**(16,601,000)**	**3.33**	(28,750,000)	3.45
Outstanding at 31 December	**700,480,000**	**3.06**	51,300,000	3.03
Exercisable at 31 December	**420,030,000**	**3.11**	–	–

The options granted on 28 July 2009, 23 April 2010, 14 January 2011 and 14 July 2011 which were outstanding at 31 December 2011 had exercise prices of HKD3.59, HKD2.64, HKD3.28 and HKD3.01 respectively.

The weighted average share price for share options exercised during the year at the date of exercise was HKD3.43 (2010: HKD2.87).

The weighted average remaining contractual life of the share options outstanding at 31 December 2011 was approximately 1.9 years (2010: 1.3 years).

37. SHARE-BASED EMPLOYEE COMPENSATION – COMPANY *(continued)*

(ii) Share option scheme *(continued)*

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

Share price grant on 28 July 2009	HKD3.59
Expected volatility*	23.91% – 68.75%
Risk-free interest rate	0.06% – 0.61%
Dividend yield	15%
Expected life of option	0.25 – 2.25 years
Fair value at 28 July 2009	HKD0.14 – HKD0.70
Exercise price at 28 July 2009	HKD3.59
Share price grant on 23 April 2010	HKD2.64
Expected volatility*	37.31% – 58.66%
Risk-free interest rate	0.02% – 1.08%
Dividend yield	15%
Expected life of option	0.69 – 2.69 years
Fair value at 23 April 2010	HKD0.17 – HKD0.48
Exercise price at 23 April 2010	HKD2.64
Share price grant on 14 January 2011	HKD3.22
Expected volatility*	39.20% – 53.70%
Risk-free interest rate	0.290% – 0.928%
Dividend yield	15%
Expected life of option	1 – 3 years
Fair value at 23 April 2010	HKD0.25 – HKD0.53
Exercise price at 23 April 2010	HKD3.28
Share price grant on 14 July 2011	HKD2.75
Expected volatility*	50.39%
Risk-free interest rate	0.542%
Dividend yield	15%
Expected life of option	3 years
Fair value at 14 July 2011	HKD0.33 – HKD0.38
Exercise price at 14 July 2011	HKD3.01

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

37. SHARE-BASED EMPLOYEE COMPENSATION – COMPANY *(continued)*

(ii) Share option scheme *(continued)*

The fair value of the options granted is approximately HKD312,303,000 in aggregate, of which the Group recognised HKD187,970,000 (RMB156,057,000) (2010: HKD22,515,000 (RMB19,602,000)) as share option expense in the consolidated statement of comprehensive income. The corresponding amount has been credited to the employee share-based compensation reserve. No liabilities were recognised as those are equity settled share-based payments transactions.

38. 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.

38. 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, the target company, 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
Intangibles 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 (note (iv))	187,409	
	9,667,145	
Goodwill	5,737,139	

	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

38. BUSINESS COMBINATIONS *(continued)*

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

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 as explained above, 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 RMB115,288,000), and the equity interest in Sino Polymer held by the Company was increased to 95.23%.

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 35(iii)) was determined by reference to their quoted market price of HKD3.22 at the date of acquisition.

38. BUSINESS COMBINATIONS *(continued)*

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

Notes: *(continued)*

(iv) Non-controlling interests are measured at proportionate share of the acquiree's identifiable net assets.

(v) 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.

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

(vii) 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.

(viii) Since the acquisition date, Sino Polymer has contributed RMB2,535,475,000 and RMB863,069,000 to Group's revenue and profit or loss. If the acquisition had occurred on 1 January 2011, Group revenue and profit would have been RMB4,633,889,000 and RMB1,156,333,000 respectively.

(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.

38. 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)*
Under the agreement, the cash consideration will be paid by the Company within two months after the completion date.

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*	201,548
To be satisfied by:	
Cash	46,261
Consideration shares at fair value**	361,675
	407,936

* 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 31 December 2011.

** The fair value of the shares issued (149,508,940 ordinary shares of the Company as disclosed in note 35(iii)) was determined by reference to their quoted market price of HKD2.91 at the date of acquisition.

39. OPERATING LEASE COMMITMENTS – GROUP AND COMPANY

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:

	2011 RMB'000	2010 RMB'000
Within one year	**14,529**	6,517
In the second to fifth years	**11,468**	10,368
	25,997	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 Company as lessee

The Company had no operating lease commitments as at 31 December 2011 (2010: Nil).

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:

	2011 RMB'000	2010 RMB'000
Within one year	**8,000**	–
In the second to fifth years	**32,000**	–
Over five years	**24,000**	–
	64,000	–

The Company as lessor

The Company had no operating lease commitments as at 31 December 2011 (2010: Nil).

40. CAPITAL COMMITMENTS – GROUP AND COMPANY

Group

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

	2011	2010
	RMB'000	RMB'000
Contracted, but not provided for:		
– additions to property, plant and equipment	**2,209,376**	173,461
	2,209,376	173,461

Company

The Company does not have any significant capital commitments.

41. FINANCIAL GUARANTEE CONTRACTS

The Company has executed guarantees amounting to RMB65,000,000 with respect to a bank borrowing granted to a subsidiary of the Company. Under the guarantees, the Company would be liable to pay the bank if the bank is unable to recover the loan. At the reporting date, no provision for the Company's obligation under the guarantee contract were made as the directors considered that it was not probable that the repayments of any loans would be in default.

42. RELATED PARTY TRANSACTIONS

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

Key management personnel remuneration

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

	2011	2010
	RMB'000	RMB'000
Salaries, allowances and other short-term employee benefits	**8,353**	10,102
Equity-settled share-based payment expenses	**29,324**	8,373
Contribution to pension plans	**94**	117
	37,771	18,592

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including interest rate risk and foreign currency risk), credit risk and liquidity risk. The Group's overall risk management focuses on unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by key management under the policies approved by the board of directors. The Group does not have written risk management policies. However, the board of directors meet regularly and co-operate closely with key management to identify and evaluate risks and to formulate strategies to manage financial risks. The Group has not used any derivatives or other instruments for hedging purposes and has not hold or issue derivative financial instruments for trading purposes. The most significant risks to which the Group is exposed to are described below.

(i) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. Except for bank deposits which are interest bearing (notes 27 and 28), the Group has no other significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arises primarily from borrowings (note 30). Borrowings obtained at variable rates and fixed rates expose the Group to cash flow interest-rate risk and fair value interest rate risk respectively.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(i) Interest rate risk *(continued)*

Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank deposits are not expected to change significantly. Management also considers the fair value interest rate risk is insignificant due to fixed-rate bank borrowings are due within one year in general.

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

As at 31 December 2011, approximately 84% of the borrowings bore interest at floating rates (2010: approximately 96%). The interest rate and terms of repayment of borrowings are disclosed in note 30 above. The Group has not hedged its cash flow and fair value interest rate risk. The management monitors the Group's exposure on an ongoing basis and will consider hedging interest rate risk should the need arises.

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

Sensitivity analysis

The following table illustrates the sensitivity of the Group's profit for the year and equity to a possible change in interest rates of +/- 1.5% (2010: +/- 1.5%), with effect from the beginning of the year. This sensitivity analysis is provided internally to key management personnel.

	Group Profit for the year and retained earnings	
	RMB'000	RMB'000
Change in interest rate	+1.5%	-1.5%
31 December 2011	(18,061)	18,061
31 December 2010	(7,676)	7,676

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(i) Interest rate risk *(continued)*

Sensitivity analysis *(continued)*

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

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

(ii) Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group mainly operates in the PRC. The functional currency of the Company and its subsidiaries are mainly HKD, RMB and USD respectively with certain of their business transactions being settled in USD. Furthermore, the Group has borrowings denominated in USD. The Group currently does not have hedging policy in respect of the foreign currency risk. However, management monitors the related foreign currency risk exposure closely and will consider hedging significant foreign currency risk exposure should the need arises.

Summary of exposure

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

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Net financial liabilities				
USD	**2,901,897**	1,508,788	**2,518,987**	1,509,362

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(ii) Foreign currency risk *(continued)*

Summary of exposure *(continued)*
In respect of those Group entities with HKD as functional currency, as HKD is linked to USD, the Group does not have material exchange risk on such currency. The following table illustrates the sensitivity of the Company's and Group's profit after tax for the year and equity in regards to a 10% (2010: 10%) appreciation in RMB against USD. These rates are the rates used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates.

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

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Profit for the year and retained earnings	**(9)**	(2)	**–**	–

These are the same method and assumption used in preparing the sensitivity analysis included in the financial statements of prior year.

(iii) Credit risk

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

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

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(iii) Credit risk *(continued)*

The Group trades only with recognised, creditworthy third parties. The Group performs ongoing credit evaluation on the financial condition of its debtors and tightly monitors the ageing of receivable balances. With respect to credit risk arising from the other financial assets of the Group which comprise other receivables, the Group's exposure to credit risk arising from default of counterparties is limited as the counterparties have good credit standing and the Group does not expect any significant loss for uncollected advances from these entities.

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

In order to minimise the credit risk, the management continuously monitor the level of exposure to ensure that follow-up action and/or corrective actions are taken promptly to lower exposure or even to recover overdue balances. In addition, management reviews the receivable amount of the receivables individually or collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts.

See note 25 to these financial statements for further details of the Group's exposures to credit risk on trade and other receivables.

(iv) Liquidity risk

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

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(iv) Liquidity risk *(continued)*

The table below analyses the Group's and the Company's financial liabilities based on the remaining contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group	Carrying amount	Total contractual undiscounted cash flow	Less than one year or on demand	One to less than two years	Two to less than five years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2011					
Borrowings	**2,433,351**	**3,043,883**	**2,155,637**	**616,677**	**271,569**
Fixed rate senior notes	**1,537,511**	**2,165,292**	**191,055**	**191,055**	**1,783,182**
Convertible bonds	**723,669**	**1,222,696**	**38,211**	**38,211**	**1,146,274**
Trade and other payables	**609,404**	**609,404**	**609,404**	**–**	**–**
As at 31 December 2010					
Borrowings	531,700	546,465	546,465	–	–
Fixed rate senior notes	1,588,669	2,460,759	199,521	199,521	2,061,717
Trade and other payables	158,069	158,069	158,069	–	–

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(iv) Liquidity risk *(continued)*

Company	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Less than one year or on demand RMB'000	One to less than two years RMB'000	Two to less than five years RMB'000
As at 31 December 2011					
Borrowings	**1,057,136**	**1,174,566**	**685,206**	**313,442**	**175,918**
Fixed rate senior notes	**1,537,511**	**2,165,292**	**191,055**	**191,055**	**1,783,182**
Convertible bonds	**723,669**	**1,222,696**	**38,211**	**38,211**	**1,146,274**
Trade and other payables	**70,048**	**70,048**	**70,048**	**–**	**–**
Issued financial guarantee contracts:					
Maximum amount guaranteed (note 41)	–	65,000	65,000	–	–
As at 31 December 2010					
Fixed rate senior notes	1,588,669	2,460,759	199,521	199,521	2,061,717
Trade and other payables	40,366	40,366	40,366	–	–

(v) Fair value

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

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(vi) Summary of financial assets and liabilities by category

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

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets:				
Loans and receivables				
– Trade and other receivables	**1,258,146**	630,426	**5,127**	1,658
– Loan to a subsidiary	**–**	–	**2,293,151**	1,083,135
Pledged deposits	**156,568**	91,024	**122,568**	79,024
Cash and cash equivalents	**2,631,426**	1,134,564	**9,601**	54,772
	4,046,140	1,856,014	**2,430,447**	1,218,589
Financial liabilities:				
At amortised cost				
– Trade and other payables	**609,404**	158,069	**70,048**	40,366
– Borrowings	**2,433,351**	531,700	**1,057,136**	–
– Fixed rate senior notes	**1,537,511**	1,588,669	**1,537,511**	1,588,669
– Loan commitment	**64,778**	–	**64,778**	–
– Convertible bonds	**723,669**	–	**723,669**	–
	5,368,713	2,278,438	**3,453,142**	1,629,035

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(vii) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and to support the Group's stability and growth. The Group actively and regularly reviews and manages its capital structure, taking into consideration the future capital requirements of the Group, to ensure optimal shareholder returns. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2011 and 31 December 2010.

The Group monitors capital using a gearing ratio, which is net debts divided by total equity. Net debt comprises all bank borrowings, fixed rate senior notes and trade and other payables less pledged deposits and cash and cash equivalents. The Group aims to maintain the gearing ratio at a reasonable level.

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Borrowings	**2,433,351**	531,700	**1,057,136**	–
Fixed rate senior notes	**1,537,511**	1,588,669	**1,537,511**	1,588,669
Loan commitment	**64,778**	–	**64,778**	–
Convertible bonds	**723,669**	–	**723,669**	–
Trade and other payables	**657,523**	205,047	**70,048**	40,366
Less: Pledged deposits	**(156,568)**	(91,024)	**(122,568)**	(79,024)
Cash and cash equivalents	**(2,631,426)**	(1,134,564)	**(9,601)**	(54,772)
Net debts	**2,628,838**	1,099,828	**3,320,973**	1,495,239
Equity	**13,307,663**	2,543,394	**9,591,175**	537,840
Net debts to equity ratio	**20%**	43%	**35%**	278%

44. CONTINGENT LIABILITIES

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

45. EVENTS AFTER THE REPORTING DATE

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.

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, 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. Details of the Framework Agreement were set out in the announcement of the Company dated 6 June 2011.

Set forth in the announcement of the Company dated 30 March 2012, Chuanmei Special Glauber, Yinglin vendors and Sichuan Yinglin Enterprises entered into a termination agreement, pursuant to which, the parties thereto have unconditionally and irrevocably agreed to terminate the Framework Agreement and the acquisition of Yinglin Danling and Yinglin Pengshan. Yinglin vendors also agreed to refund the initial deposit of RMB6 million to the Group upon the execution of the termination agreement.

Five Year Financial Summary

	Year ended 31 December				
	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results					
Revenue	**4,575,759**	1,961,215	1,344,032	1,140,354	371,530
Cost of sales	**(1,672,296)**	(541,551)	(364,427)	(343,794)	(151,295)
Gross profit	**2,903,463**	1,419,664	979,605	796,560	220,235
Gross profit margin	**63.45%**	72.39%	72.89%	69.85%	59.28%
Operating profit	**2,152,605**	1,294,014	877,379	712,383	149,424
Finance costs	**(423,535)**	(241,569)	(105,913)	(98,800)	(34,521)
Profit before income tax	**1,729,070**	1,052,445	771,466	613,583	114,903
Income tax expense	**(456,805)**	(323,103)	(226,561)	(171,503)	(25,901)
Profit for the year	**1,272,265**	729,342	544,905	442,080	89,002
Profit attributable to:					
Owners of the Company	**1,253,286**	729,342	532,966	429,739	78,950
Non-controlling interests	**18,979**	–	11,939	12,341	10,052
	1,272,265	729,342	544,905	442,080	89,002
Earnings per share (RMB cents) – Basic	**23.23**	37.42	30.49	28.27	5.19
Earnings per share (RMB cents) – Diluted	**23.20**	37.32	30.17	NA	NA
Assets, liabilities and non-controlling interests					
Total assets	**19,322,362**	4,914,835	4,113,299	1,903,897	1,314,031
Total liabilities	**(6,014,699)**	(2,371,441)	(2,325,057)	(1,078,355)	(985,161)
Non-controlling interests	**–**	–	–	(40,242)	(27,901)

Five Year Financial Summary

	Year ended 31 December				
	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Other Financial Data					
EBITDA(1)	**2,620,575**	1,381,887	931,445	757,821	159,346
EBITDA Margin(2)	**57.3**	70.5	69.3	66.5	42.9
Adjusted EBITDA(3)	**2,778,350**	1,404,997	969,410	771,621	159,346
Adjusted EBITDA margin(4)	**60.7**	71.6	72.1	67.7	42.9

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

(2) Represents EBITDA as a percentage of revenue.

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

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