中國旭光高新材料集團有限公司

China Lumena New Materials Corp.

(Incorporated in the Cayman Islands with limited liability)

Stock code : 67

Interim Report
2012

Contents

Corporate Information

Board of Directors

Executive Directors

Mr. Zhang Zhigang *(Chairman)*
Mr. Zhang Daming
Mr. Yu Man Chiu Rudolf
Mr. Gou Xingwu
Mr. Tan Jianyong

Independent Non-executive Directors

Mr. Koh Tiong Lu, John
Mr. Wong Chun Keung
Mr. Xia Lichuan

Company Secretary

Mr. Wong Kui Tong

Members of the Audit Committee

Mr. Koh Tiong Lu, John *(Chairman)*
Mr. Wong Chun Keung
Mr. Xia Lichuan

Members of the Remuneration Committee

Mr. Wong Chun Keung *(Ex-Chairman)*
(resigned as Chairman with effect from 1 April 2012)
Mr. Xia Lichuan *(Chairman)*
(appointed as Chairman with effect from 1 April 2012)
Mr. Zhang Zhigang

Members of the Nomination Committee

Mr. Koh Tiong Lu, John *(Ex-Chairman)*
(resigned as Chairman with effect from 1 April 2012)
Mr. Wong Chun Keung *(Chairman)*
(appointed as Chairman with effect from 1 April 2012)
Mr. Tan Jianyong

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

The Board (the "Board") of directors (the "Directors" and each a "Director") of China Lumena New Materials Corp. (the "Company", together with its subsidiaries, the "Group") would like to present the unaudited consolidated results of the Group for the six months ended 30 June 2012, along with the unaudited comparative figures and selected explanatory notes, which were prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board, and which have been reviewed by the audit committee (the "Audit Committee") of the Company.

Financial Review

Revenue

For the six months ended 30 June 2012, our revenue amounted to approximately RMB2,203.1 million (six months ended 30 June 2011: RMB2,236.1 million), representing a slight decrease of approximately 1.5% as compared to the same period in the previous year. The decrease in our revenue was mainly due to changes in business environment in the specialty thenardite market with a new competitor, and we managed to offset this situation by delivering growth in our medical thenardite as well as a full line of the polyphenylene sulfide ("PPS") products. In addition, with the PPS industry supported by the policies formulated under the state's "Twelfth Five-Year Plan", the PPS business achieved significant growth during the period. In the "Twelfth Five-Year Plan" stipulated by the government of People's Republic of China ("PRC"), favourable policies in encouraging use of new materials benefitted the PPS industry and domestic demand for PPS products surged significantly. For the six months ended 30 June 2012, PPS and thenardite products contributed revenue of approximately RMB1,421.8 million and RMB781.3 million respectively, representing approximately 64.5% and 35.5% of our total revenue respectively.

Gross Profit and Gross Profit Margin

We recorded a gross profit of approximately RMB1,307.0 million for the six months ended 30 June 2012 (six months ended 30 June 2011: RMB1,455.3 million), representing a decrease of approximately 10.2% as compared to the same period in the previous year. The decrease in our gross profit was mainly due to a substantial slowdown in economic growth in the PRC since the fourth quarter in the previous year and the emergence of a new competitor in the specialty thenardite market which imposed pressure on our specialty thenardite segment in terms of sales volume and selling price. In response to this, the Group continued to focus on its thenardite portfolio to provide more high value-added products through adding animal feed grade thenardite, expanding the scope of application in medical thenardite, developing clinical thenardite and customizing refined sodium sulfide for PPS production. For the six months ended 30 June 2012, PPS and thenardite products contributed approximately RMB812.4 million and RMB494.6 million respectively to our gross profit.

Our overall gross profit margin was 59.3% for the six months ended 30 June 2012 (six months ended 30 June 2011: 65.1%), representing a decrease of approximately 5.8% as compared to the same period in previous year. The slight decrease in our overall gross margin was mainly attributable to the adjustment of product portfolio, especially the substantial increase in the proportion of PPS revenue, and the pressure imposed by the new competitor on the prices of our specialty thenardite. Going forward, the Group will focus on developing high value-added PPS products and medical thenardite to enhance profitability. For the six months ended 30 June 2012, the gross margin of PPS and thenardite products was 57.1% and 63.3% respectively.

Profit for the Period Attributable to Owners of the Company

For the six months ended 30 June 2012, our profit for the period attributable to owners of the Company amounted to approximately RMB820.1 million (six months ended 30 June 2011: RMB774.5 million), representing an increase of approximately 5.9% as compared to the same period in the previous year. The increase in our profit for the period attributable to owners of the Company was mainly attributable to the sustained growth of our PPS business which has become one of our principal businesses, and reduction in overall finance costs as well as selling and distribution expenses.

Earnings per Share

For the six months ended 30 June 2012, the basic earnings per share was RMB14.66 cents (six months ended 30 June 2011: RMB15.04 cents).

Interim Dividend

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2012. However, the Company intends to maintain its current dividend policy of around 25% of the net profit attributable to the shareholders of the Company for the full year of 2012, which is in line with the Company's dividend policy of a payout ratio of around 25% since 2010.

Liquidity and Financial Resources

Borrowings

Our bank and other borrowings, fixed rate senior notes and convertible bonds amounted to approximately RMB2,373.3 million, RMB1,544.3 million and RMB791.5 million respectively for the six months ended 30 June 2012. 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 19, 20 and 21 to the condensed consolidated interim financial statements respectively.

Leverage

The gearing ratio (defined as consolidated total debts divided by consolidated total assets) as at 30 June 2012 was 23.4% (as at 31 December 2011: 24.3%) and the net gearing ratio (defined as consolidated net debts divided by consolidated total assets) as at 30 June 2012 was 9.4% (as at 31 December 2011: 10.7%).

Pledge of Assets

As at 30 June 2012, the Group's assets in an aggregate amount of approximately RMB886.9 million (as at 31 December 2011: RMB1,051.0 million) in the form 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 30 June 2012, we did not have any material contingent liabilities (as at 31 December 2011: Nil).

Foreign Currency Exposure

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

Market Review

In the first half of 2012, against the background of the overall slowdown trend of the world's economy, the Asian economy inevitably faced significant downturn risk. As a result of these adverse factors, the PRC recorded a declining GDP growth rate of 7.6% in the second quarter, and downward adjusted its GDP growth target to 7.5% for the whole year. Since its announcement of the RMB4 trillion economic stimulus package in 2009 designated to boost domestic demand, the PRC has been facing a worsening fiscal deficit. Amidst the overall landscape of economic slowdown, the Group minimized the adverse effect on its business by taking various measures including the expansion in PPS production capacity and restructuring of thenardite product portfolio.

PPS Segment

Actively encouraged and supported by the PRC government's industrial policies, PPS has been adopted as a kind of new material as set out in the fourth chapter of the *Guidelines for the Major Fields of High Technology Industries Given Priority in Development at Present (2011)* and *New Materials Industries under the Twelfth Five-Year Plan*. Hence, the PPS segment benefits from the PRC government's dedicated support in its development. In addition, PPS has also been recognized as one of the "Key products in the new materials industry under the Twelfth Five-Year Plan" by the Ministry of Industry and Information Technology, which is adopted to boost the development of strategic emerging industries including energy-saving and environmental friendly industries and new materials industries. It is expected that the proportion of production value generated by national strategic emerging industries in GDP will reach approximately 8% in 2015 and further increase to 15% by 2020. The Group expects to fully develop PPS products by capitalizing on relevant favorable policies.

PPS is a type of high-temperature resisting, insulating and environmental friendly material characterized by stable properties. As the fields of application in PPS have become increasingly broad and diverse, there is a continuous growth in demand for PPS in the PRC. Currently, its supply has been falling short of demand in the market. According to the Emission Standards of Air Pollutants for Thermal Power Plants (GB 13223-2011) (《火電廠大氣污染物排放標準(GB 13223-2011)》) promulgated by the PRC government, new environmental protection standards were required to be adopted for thermal power plants as of 1 January 2012. Under the new standards, the emission limit on particulates of newly built thermal power plants has been squeezed from the original 50 mg/m^3 to 30 mg/m^3, and existing coal-fired power plants are required to meet the new limit by July 2014. PPS fibre is currently the most cost effective material for producing filter bags, and can be used as environmental filters and filter bags for cement plants, thermal power plants and waste incineration plants due to its outstanding overall performance including high temperature resistance and corrosion resistance. At present, air pollutants removed by using filter bags in the domestic thermal power industry account for less than 10%. It is expected that, against the macro background of increasingly stringent emission standards and strengthened enforcement measures, the implementation of relevant policies will benefit the sales of PPS.

Thenardite segment

Thenardite is an important raw material for the chemicals industry and other light industries, mainly used in the manufacture of detergent, textile dyeing, glass, paper, pharmaceuticals and other products. It is anticipated that the future demand for powder thenardite and specialty thenardite will grow largely at the same rate as China's GDP growth. The economic slowdown in the PRC in the first half of 2012 posed negative impact on the growth of specialty thenardite and powder thenardite to some extent. Moreover, new competitors have entered the specialty thenardite market since the fourth quarter of last year. Both these factors have put pressure on the selling price and sales volume of specialty thenardite.

Due to the rapid development of the pharmaceutical industry over the recent years, the sales value growth of the traditional Chinese medicine industry has been on the rise year by year, reaching 55% in 2011. It is expected that, driven by the rising standard of living, the traditional Chinese medicine industry will continue to maintain a comparatively fast growth of income in the future, which in return will effectively promote the consumption of medical thenardite. The Group has been committed to the expansion of the medical thenardite market. Currently, medical thenardite can be found in clinical application and Chinese medicine production. As medical reform is being carried out in the PRC, it is believed that the coverage of medical services at the expense of the PRC government will be expanded, and that thenardite will be applied more widely for medical purposes as the price of medical thenardite falls within such coverage.

Business Review

PPS Business

According to SRI Consulting, an independent market research consultant, we are the largest PPS resin producer in the world in terms of production capacity as of 31 December 2010. Currently, we produce and sell PPS resin, PPS compounds and PPS fibre. PPS is widely used in electrical and electronic, automotive, railway transportation, environmental protection and emissions reduction, aeronautics and astronautics, and coatings application, etc. It has been listed as one of the key new materials in the Twelfth Five-Year Plan of China. Currently, we produce four grades of PPS resin (namely injection-moulding-grade, coating-grade, fibre-grade and film-grade). Injection-moulding-grade 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 to resist corrosion. Fibre-grade PPS resin is primarily used to make staple PPS fibre and filament PPS fibre which are primarily used to produce PPS filter cloth, and customers will use such cloth to make filter bags to control smokestack emissions from coal-fired power plants, cement plants and incinerators. Film-grade PPS resin is primarily applied to photovoltaic cell.

According to SRI Consulting, total demand for PPS in the PRC is expected to grow at an average annual rate of 20% for the next five years. Currently, there is a continuous undersupply of PPS in the domestic market. The Group intends to expand the production capacity of its PPS production lines, targeting 80,000 tonnes per annum ("tpa") by 2013. Last year, the Group started the construction of a PPS resin production line with production capacity of 25,000 tpa and a PPS fibre production line with production capacity of 15,000 tpa. Upon commencing production of these two production lines scheduled by early 2013, the Group will have a PPS resin production capacity of 55,000 tpa and a PPS fibre production capacity of 20,000 tpa next year, thereby meeting the continuously growing demand for PPS from China and the rest of the world.

On 29 March 2012, the Group signed a framework agreement with Dutch Royal DSM (a company whose shares are listed on NYSE Euronext) in respect of the marketing and sales of Stanyle® polyamide 46 and Haton® PPS. Pursuant to the framework agreement, both parties agreed to further explore potential cooperation in the marketing and sales of Stanyle® polyamide 46 in the PRC and the marketing and sales of Haton® PPS in overseas markets. Furthermore, both parties will explore the potential for joint development in PPS/PA46 alloys and other cooperation opportunities. Such cooperation demonstrated our product quality and marketing capability were well recognised and supported by Dutch Royal DSM.

In April 2012, at the enlarged meeting of the Filter Bag Executive Committee of China Association of Environmental Industry hosted by the Group in Chengdu, PPS was unanimously recognized as a cost-effective high-temperature filter material with comprehensive properties such as excellent resistance to high temperature and corrosion and wide application to environmental filters and filter bags of thermal power plants, cement plants, waste incineration plants and other sectors. This meeting shows that China Association of Environmental Industry and our peers across China attached great importance and gave strong support to the development of our PPS (especially PPS fibre) business, and a solid customer base was established for the market expansion of our PPS products.

Thenardite Business

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. We have a single largest thenardite production facility in the world and we are the only producer in the PRC with GMP certification and the National Pharmaceutical Production Permit for medical thenardite.

Due to the competition from a specialty thenardite newcomer since the fourth quarter of last year and downward pressure on thenardite price, the Group has been shifting focus to develop higher value-added products and carrying out promotion and R&D on medical thenardite. During the period, the Group increased the medical thenardite proportion in our revenue and developed natrii sulfas exsiccatus and medical thenardite for clinical application, in anticipation that these new products can make long-term contribution to the profit of the Group.

Products

PPS Products

As the largest PPS resin producer in the world in terms of production capacity, we produce PPS resin, PPS compounds and PPS fibre. Our PPS products are sold under the brand name "Haton" and the trademark "Deyang". The brand "Haton" was recognised as a "Sichuan Famous Brand Product" this year.

PPS compounds

We sold approximately 13,573 tonnes of PPS compounds and our revenue derived from sales of PPS compounds amounted to RMB983.8 million for the six months ended 30 June 2012 (six months ended 30 June 2011: RMB909.7 million), representing 69.2% of the overall PPS products revenue (six months ended 30 June 2011: 73.8%).

PPS fibre

We sold approximately 2,429 tonnes of PPS fibre and our revenue derived from sales of PPS fibre amounted to RMB220.0 million for the six months ended 30 June 2012 (six months ended 30 June 2011: RMB188.6 million), representing 15.5% of the overall PPS products revenue (six months ended 30 June 2011: 15.3%).

PPS resin

We sold approximately 3,380 tonnes of PPS resin and our revenue derived from sales of PPS resin amounted to RMB218.0 million for the six months ended 30 June 2012 (six months ended 30 June 2011: RMB134.0 million), representing 15.3% of the overall PPS products revenue (six months ended 30 June 2011: 10.9%).

Thenardite Products

We produce medical thenardite, specialty thenardite and powder thenardite. As a leading thenardite producer in the PRC, we enjoy strong brand and product recognition among downstream industries in the PRC. Our brand "Chuanmei" has been continuously 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.

Medical thenardite

We sold approximately 138,797 tonnes of medical thenardite for the six months ended 30 June 2012 (six months ended 30 June 2011: 145,965 tonnes), and our revenue derived from sales of medical thenardite amounted to RMB434.0 million (six months ended 30 June 2011: RMB424.9 million), representing 55.6% of the overall thenardite products revenue (six months ended 30 June 2011: 42.4%).

Specialty thenardite

We sold approximately 589,900 tonnes of specialty thenardite for the six months ended 30 June 2012 (six months ended 30 June 2011: 624,690 tonnes), and our revenue derived from sales of specialty thenardite amounted to RMB318.3 million (six months ended 30 June 2011: RMB526.0 million), representing 40.7% of the overall thenardite products revenue (six months ended 30 June 2011: 52.4%).

Powder thenardite

We sold approximately 109,807 tonnes of powder thenardite for the six months ended 30 June 2012 (six months ended 30 June 2011: 179,952 tonnes), and our revenue derived from sales of powder thenardite amounted to RMB29.0 million (six months ended 30 June 2011: RMB52.4 million), representing 3.7% of the overall thenardite products revenue (six months ended 30 June 2011: 5.2%).

Operation Review

PPS Production

The Group continued to improve its PPS production capacity and fully utilized its existing production lines to increase product supplies, so as to meet the strong demand for PPS from domestic market. For the six months ended 30 June 2012, the Group produced an aggregate of approximately 13,747 tonnes of neat PPS resin, 13,777 tonnes of PPS compounds and 2,500 tonnes of PPS fibre. As of 30 June 2012, the Group has 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 manufacturing 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 a combined production capacity of 24,000 tpa (on neat resin basis) and PPS fibre production line with a production capacity of 5,000 tpa. As for 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. Last year, the Group started construction of a PPS resin production line with production capacity of 25,000 tpa and a PPS fibre production line with production capacity of 15,000 tpa. Upon commencing production of this first phase of production line construction scheduled by early 2013, the Group will have a PPS resin production capacity of 55,000 tpa and a PPS fibre production capacity of 20,000 tpa.

Thenardite Production

The Group currently has a total thenardite production capacity of 2.20 million tpa, and operates four captive underground glauberite mines in Sichuan Province, where medical thenardite, specialty thenardite and powder thenardite are produced respectively.

Among these mining areas, the Muma Mining Area (possessing medical thenardite production facility with production capacity of 200,000 tpa) produced an aggregate of approximately 93,562 tonnes of medical thenardite for the six months ended 30 June 2012; the Guangji Mining Area (possessing specialty thenardite production facility with a production capacity of 1,100,000 tpa) produced an aggregate of approximately 470,797 tonnes of specialty thenardite for the six months ended 30 June 2012; the Yuegou Mining Area (possessing animal feed grade thenardite production facility with a production capacity of 300,000 tpa) produced an aggregate of approximately 119,660 tonnes of animal feed grade thenardite for the six months ended 30 June 2012; and the Dahongshan Mining Area (possessing thenardite exploration and production facility with a production capacity of 600,000 tpa, of which 80% to 85% was allocated to powder thenardite production and 15% to 20% was allocated to medical thenardite production) produced an aggregate of approximately 188,756 tonnes of thenardite for the six months ended 30 June 2012.

Future Plans

Looking forward, the Group will focus on PPS and medical thenardite, and the development trend shows that new materials business can keep bringing returns to the Group. In the second half of the year, the Group will continue to utilize its existing competitive advantages and explore new development opportunities, so as to bring reasonable returns to its shareholders.

Expanding PPS Production Capacity in line with National Policies

The Group is the largest PPS resin producer in the world in terms of production capacity, the only company in the PRC with a production capacity surpassing 1,000 tpa, and one of the only two enterprises in the world that produce PPS through vertical integration. The heavy dependance of PPS imports in the PRC offers much room for expansion. Currently, approximately 50% of China's PPS demand is met with imports from America and Japan, which could be gradually substituted by similar products of the Group with price advantage.

In addition, PPS has strong support from the PRC government's industrial policies. It has been listed as one of the "New Materials Industries under the Twelfth Five-Year Plan" and has been given careful nurture and strong support from the state. According to the Twelfth Five-Year Plan, the market size for the new materials industry will reach RMB2 trillion with an average annual growth rate of over 25% during 2011 to 2015.

Driven by the national policy in promoting the development of environmental protection industries, the PPS material is increasingly applied to various industrial production, resulting in a short supply of PPS in the market. The "Emission Standards of Air Pollutants for Thermal Power Plants" that took effect on 1 January 2012 stipulated that all existing thermal power plants are required to comply with the new standards starting from 1 July 2014. According to the new standards, proportion of dusts in the emissions from thermal power plants in the PRC must be significantly reduced. However, it is believed that less than 10% of China's thermal power plants have currently used filter bags for this purpose. PPS has an advantage over other high-performance polymers in terms of price and overall performance. Its application by thermal power plants for dust-removing purposes will rise significantly. Based on the three-year replacement cycle of filter bags, the demand for PPS fibre material will exceed 20,000 tonnes each year, with a compound annual growth rate of over 20% till 2015. Apart from serving the thermal power plants, PPS, due to its prominent overall performance such as high-temperature and corrosion resistance, may also be used for filters and filter bags by cement plants and garbage incineration plants for environmental protection purpose.

For all the reasons mentioned above, the Group has expanded its PPS capacity so as to meet market demands. The Group anticipates that the first phase of the new PPS resin and PPS fibre production lines will commence production as scheduled by early 2013. As these production lines being put into full operation, the annual capacity of PPS resin and PPS fibre may reach 55,000 tonnes and 20,000 tonnes respectively, thus ensuring a stable supply of PPS materials for markets. Furthermore, the second phase of PPS resin production line is expected to complete by the second half of 2013, and the annual capacity of PPS resin will further increase by 25,000 tonnes, thereby further enhancing the Group's competitive edge and leading position in the industry.

During the period, the Group entered into a framework agreement with Dutch Royal DSM to jointly develop new products with its Engineering Plastics Department and explore overseas sales markets. In addition, the Group will expand the applications of PPS products to such scope as auto parts, sanitary wares and fireproof materials, aiming to expand the Group's market share in PPS products.

Expanding the Application Scope of Thenardite to Boost Overall Market Demands

The Group is one of the world's largest thenardite suppliers and has the single largest thenardite production facility in the world. In future, the Group will shift its focus on developing high value-added products and utilize its unique advantage to concentrate on developing medical thenardite business. The Group will adopt product differentiation strategies to maintain higher profitability of its thenardite business and stipulate market differentiation strategy to compete with its competitors. It is expected that the production line of Yinpian, natrii sulfas exsiccatus, will carry out trial production in the fourth quarter of this year, and will contribute new income to the Group. As the sole producer in the PRC that holds the GMP certification and the National Pharmaceutical Production Permit for medical thenardite, the Group is poised to further expand its sales network of medical thenardite in the PRC, whilst riding on the opportunities brought by the implementation of medical reform in the PRC.

Research and Development

The Group has always attached importance to research and development and uses its R&D resources mainly on the development of products and the improvement of their performance. As for its products, in addition to the development of new products, the Group has also proactively sought for ways to improve the performance of existing products so as to maintain good quality. As for production efficiency, the Group has studied measures to lower labour and materials costs and streamline production processes, so as to improve economic efficiency.

Currently, the Group has 18 invention patents, including 8 PPS patents (3 of which were newly approved this year) and 10 thenardite patents (3 of which were newly approved this year). During the year, the Group has participated in the drafting of certain standards for molding and extrusion materials of polyphenylene sulfide (PPS), i.e. Part 1: designation system and basic specifications and Part 2: preparation of test specimens and determination of properties, and these proposed standards were included in the "first batch of development and revision plan for state standards in 2012" (Guobiaowei Zonghe [2012] No.50) by the State Standardization Administration. At the same time, the Group has also participated in the development of the textile industry standards of the People's Republic of China (standard name: short fibers of PPS; standard number: FZ/T2017-2011) and the revision of the state standards for industrial anhydrous sodium sulfate, as well as the development of the state standards for cosmetic grade thenardite and foodstuff grade thenardite.

The Group is committed to the development of new PPS products and their new applications. During the period, the Group entered into a framework agreement with the engineering plastics department of Dutch Royal DSM to conduct various forms of cooperation in the development of new products, hoping to make breakthroughs in the research and development of PPS products. The Group and Dutch Royal DSM will explore the feasibility for joint development of the PPS/PA46 alloys and other cooperation. The PPS/PA46 alloy is a material developed for its prominent features of heat and abrasion resistance, which is likely to be used in the production of high-speed railways and many other applications. The Group believes that the joint cooperation and development plan will further boost the Group's market share in PPS products, thereby helping with the globalization drive of the Group. In addition, the progress of R&D in PPS superfine fibre production technology, and in the technology of applying PPS materials in paper manufacturing facilities as well as the promotion of the technology behind the application of PPS materials in bridge attachments have all proceeded smoothly.

Our R&D department has constantly studied new applications for its thenardite products, including the Chinese medicine Yinpian and the medical thenardite for clinical use, which have won trust and recognition from hospitals and patients. Meanwhile, remarkable progress was made in the development of a colonic cleansing agent made from thenardite, which is currently under joint development by the Group and Huaxi Hospital (華西醫院), a well-known hospital in China. In future, the Group will continue to study and develop various thenardite, further expand the application scope of specialty thenardite and medical thenardite, and streamline the segment market, so as to boost the demand for thenardite and stimulate growth of the industry.

Employees and Remuneration Policies

As at 30 June 2012, we had a total of 2,543 employees (30 June 2011: 2,413 employees). Total staff costs (including Directors' remuneration) for the six months ended 30 June 2012 were approximately RMB136.7 million (six months ended 30 June 2011: RMB134.4 million), representing 12.6% (six months ended 30 June 2011: 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.

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

As at 30 June 2012, none of the Directors or the chief executive of the Company, or any of their associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations which had to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange adopted by the Company, to be notified to the Company and the Stock Exchange, save for certain Directors' interests in the share options granted by the Company pursuant to the Pre-IPO Share Option Scheme (as defined below) and the Share Option Scheme (as defined below) as set out below:

Long Positions in Share Options of the Company

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

Name of Directors	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 Directors	Date of grant	Number of shares subject to the share options	Exercise price
Mr. Zhang Zhigang	14 January 2011	3,800,000	HK$3.28
	14 July 2011	12,000,000	HK$3.01
Mr. Zhang Daming	14 July 2011	12,000,000	HK$3.01
Mr. Yu Man Chiu Rudolf	23 April 2010	2,500,000	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	3,000,000	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, or any of their associates, had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 352 of the SFO, or which were 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 30 June 2012, so far as is known to the Directors or the chief executive of the Company, the shareholders, other than the Directors or the chief executive of the Company, who had interests or short positions in the shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to Section 336 of the SFO were as follows:

Interests in the Company

(i) Long positions

Name of shareholders	Capacity and nature of interest	Number of shares	Approximate percentage of shareholding as at 30 June 2012
Mr. Suo Lang Duo Ji *(Note 1)*	Interest of a controlled corporation	1,875,846,510	33.53%
Ascend Concept Technology Limited ("Ascend")	Beneficial owner	1,068,445,707	19.10%
Rich Pass International Ltd. ("Rich Pass")	Interest of a controlled corporation	1,068,445,707	19.10%
Nice Ace Technology Limited ("Nice Ace")	Beneficial owner	807,396,731	14.43%
China Investment Corporation	Beneficial owner	349,263,060	6.24%

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 held by Ascend (a company incorporated in the BVI and a wholly-owned subsidiary of Rich Pass, the entire share capital of which is owned by Mr. Suo Lang Do Ji) and 804,950,820 shares are held by Nice Ace (a company incorporated in the BVI and the entire share capital of which 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 30 June 2012
Mr. Suo Lang Duo Ji *(Note 2)*	Interest of a controlled corporation	45,446,000	0.81%
Nice Ace *(Note 2)*	Beneficial owner	45,446,000	0.81%

Note:

(2) Pursuant to two warrant instruments both dated 29 July 2010 and entered into between Nice Ace and Mr. Suo Lang Duo Ji relating to the warrants issued by Nice Ace, the warrant holders have the right to exercise warrants for a total of up to 45,446,000 shares as at 31 December 2011.

Save as disclosed above, as at 30 June 2012, so far as is known to the Directors or the chief executive of the Company, no other person (who is not a Director or the chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register kept by the Company under section 336 of the SFO or, who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital.

Share Options

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

A. Pre-IPO Share Option Scheme

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

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

As at 30 June 2012, details of the share options granted on 30 April 2008 under the Pre-IPO Share Option Scheme are as follows:

Name and title or category of grantees	Date of grant	Exercise price (HK$)	Exercise period *(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	0.08%
Mr. Gou Xingwu	30 April 2008	2.00	08/07/09 – 16/06/16	953,000	0.02%
(ii) Employees	30 April 2008	2.00	08/07/09 – 16/06/16	61,743,000	1.10%
(iii) Others	30 April 2008	2.00	08/07/09 – 16/06/16	7,182,000	0.13%
Total				74,096,000	1.33%

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

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 on which the offer has been made to the grantee.

No grant of share options under the Share Option Scheme was made during the six months ended 30 June 2012.

Details of the share options outstanding under the Pre-IPO Share Option Scheme and the Share Option Scheme as at 30 June 2012 are as follows:

Name or category of grantees	Date of grant	Exercise period	Exercise price (HK$)	Options held as at 31 December 2011	Options granted during the period	Options exercised during the period	Options lapsed during the period	Options held as at 30 June 2012
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	–	–	(3,800,000)	3,800,000
	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
	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. Yu Man Chiu, Rudolf	23 April 2010	1 January 2012 to 31 December 2012	2.64	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
Mr. Gou Xingwu	30 April 2008	16 June 2010 to 16 June 2016	2.00	666	–	–	–	666
	30 April 2008	16 June 2011 to 16 June 2016	2.00	476,167	–	–	–	476,167
	30 April 2008	16 June 2012 to 16 June 2016	2.00	476,167	–	–	–	476,167
				953,000	–	–	–	953,000
	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	–	–	(3,000,000)	3,000,000
	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	–	–	–	9,000,000

Name or category of grantees	Date of grant	Exercise period	Exercise price (HK$)	Options held as at 31 December 2011	Options granted during the period	Options exercised during the period	Options lapsed during the period	Options held as at 30 June 2012
Employees of the Group								
	30 April 2008	16 June 2010 to 16 June 2016	2.00	1,411,006	–	–	(666)	1,410,340
	30 April 2008	16 June 2011 to 16 June 2016	2.00	9,619,498	–	–	(476,167)	9,143,331
	30 April 2008	16 June 2012 to 16 June 2016	2.00	9,619,498	–	–	(476,167)	9,143,331
				20,650,002	–	–	(953,000)*	19,697,002
	23 April 2010	1 January 2012 to 31 December 2012	2.64	10,400,000	–	–	–	10,400,000
				10,400,000	–	–	–	10,400,000
	14 January 2011	14 January 2011 to 13 January 2012	3.28	57,720,000	–	–	(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
				138,880,000	–	–	(57,720,000)	81,160,000
	14 July 2011	14 July 2011 to 13 July 2014	3.01	240,550,000	–	–	–	240,550,000
	14 July 2011	14 July 2012 to 13 July 2014	3.01	120,275,000	–	–	–	120,275,000
	14 July 2011	14 July 2013 to 13 July 2014	3.01	120,275,000	–	–	–	120,275,000
				481,100,000	–	–	–	481,100,000
Directors and employees of the Group								
	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	2,114,006	–	–	–	2,114,006
	30 April 2008	16 June 2011 to 16 June 2016	2.00	10,322,498	–	–	–	10,322,498
	30 April 2008	16 June 2012 to 16 June 2016	2.00	10,322,498	–	–	–	10,322,498
				24,868,002	–	–	–	24,868,002
	23 April 2010	1 January 2012 to 31 December 2012	2.64	12,900,000	–	–	–	12,900,000
				12,900,000	–	–	–	12,900,000

* Adjustment for the options of an employee who was appointed as a Director in 2011 and whose options were reported under two categories in the annual report 2011.

Name or category of grantees	Date of grant	Exercise period	Exercise price (HK$)	Options held as at 31 December 2011	Options granted during the period	Options exercised during the period	Options lapsed during the period	Options held as at 30 June 2012
	14 January 2011	14 January 2011 to 13 January 2012	3.28	64,520,000	–	–	(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
				152,480,000	–	–	(64,520,000)	87,960,000
	14 July 2011	14 July 2011 to 13 July 2014	3.01	267,550,000	–	–	–	267,550,000
	14 July 2011	14 July 2012 to 13 July 2014	3.01	133,775,000	–	–	–	133,775,000
	14 July 2011	14 July 2013 to 13 July 2014	3.01	133,775,000	–	–	–	133,775,000
				535,100,000	–	–	–	535,100,000
				725,348,002	–	–	(64,520,000)	660,828,002

Compliance with the Corporate Governance Code

The Company has fully complied with the code provisions set out in the Code on Corporate Governance Practices (effective until 31 March 2012) during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code (effective from 1 April 2012) during the period from 1 April 2012 to 30 June 2012 contained in Appendix 14 to the Listing Rules, except the following:

1. *Code provision E.1.2 – This code provision stipulates among others that the Chairman of the Board should attend the annual general meeting.*

   Mr. Zhang Zhigang, Chairman of the Board, appointed Mr. Zhang Daming and Mr. Yu Man Chiu Rudolf, both being executive Directors, to attend and answer questions on his behalf at the annual general meeting held on 27 June 2012 due to his other commitment with the Company.

2. *Code provision A.6.7 – This code provision stipulates that independent non-executive Directors and other non-executive Directors, as equal Board members, should give the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.*

   All Directors have given the Board and the committees on which they serve the benefit of these skills, expertise and varied backgrounds and qualifications through regular attendance and participation.

   Mr. Koh Tiong Lu, John and Mr. Wong Chun Keung, both independent non-executive Directors, were unable to attend the annual general meeting held on 27 June 2012 as they were out of town for other businesses. Mr. Xia Lichuan, the other independent non-executive Director, attended the annual general meeting on behalf of the other independent non-executive Directors.

The Model Code

The Company adopted the Model Code as the code for Directors' securities transactions. Having made specific enquiry, all the Directors confirmed their compliance with the required standard set out in the Model Code throughout the six months ended 30 June 2012.

Interim Results Announcement and Interim Report

The announcement of interim results containing all the information required by paragraphs 46(1) to 46(9) of Appendix 16 to the Listing Rules has been published on The Stock Exchange's website at www.hkexnews.hk and on the Company's website at www.lumena.hk.

The interim results and this interim report have been reviewed by the Audit Committee of the Company. The Audit Committee is of the opinion that the interim results and this interim report have complied with applicable accounting standards, the Listing Rules and the legal requirements and that adequate disclosures have been made.

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

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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

Introduction

We have reviewed the interim financial statements set out on pages 32 to 68 which comprise the condensed consolidated statement of financial position of China Lumena New Materials Corp. as of 30 June 2012 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report of interim financial statements to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting".

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

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified

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Public Accountants. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

BDO Limited
Certified Public Accountants
Chiu Wing Cheung Ringo
Practising Certificate number P04434

Hong Kong, 30 August 2012

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	Notes	Six months ended 30 June 2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Revenue	5	**2,203,088**	2,236,122
Cost of sales		**(896,095)**	(780,867)
Gross profit		**1,306,993**	1,455,255
Other revenue and gains	6	**27,874**	50,728
Selling and distribution expenses		**(9,034)**	(68,019)
Other operating expenses		**(183,783)**	(202,326)
Finance costs	7	**(108,553)**	(203,842)
Profit before income tax	8	**1,033,497**	1,031,796
Income tax expense	9	**(213,383)**	(238,367)
Profit for the period		**820,114**	793,429
Profit for the period attributable to:			
Owners of the Company		**820,114**	774,450
Non-controlling interests		**–**	18,979
		820,114	793,429
		RMB cents	RMB cents
Earnings per share for profit attributable to owners of the Company during the period	11		
– Basic		**14.66**	15.04
– Diluted		**14.66**	14.47

	Six months ended 30 June 2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Profit for the period	**820,114**	793,429
Other comprehensive income		
Exchange (loss)/gain on translation of financial statements of foreign operations	**(3,663)**	38,320
Other comprehensive income for the period, net of tax	**(3,663)**	38,320
Total comprehensive income for the period, net of tax	**816,451**	831,749
Total comprehensive income attributable to:		
Owners of the Company	**816,451**	812,770
Non-controlling interests	**–**	18,979
	816,451	831,749

Condensed Consolidated Statement of Financial Position

As at 30 June 2012

	Notes	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*12*	**8,400,892**	7,093,510
Investment properties	*13*	**104,300**	101,900
Land use rights		**284,844**	285,927
Goodwill	*14*	**5,745,525**	5,745,525
Mining rights		**360,014**	366,396
Other intangible assets	*15*	**1,076,581**	1,130,679
Deposits and prepayments		**38,823**	381,096
Pledged deposit		**4,000**	4,000
		16,014,979	15,109,033
Current assets			
Inventories		**84,228**	67,316
Trade and other receivables	*16*	**1,190,500**	1,362,019
Pledged deposits		**33,689**	152,568
Cash and cash equivalents		**2,816,253**	2,631,426
		4,124,670	4,213,329
Current liabilities			
Trade and other payables	*18*	**791,697**	657,523
Borrowings	*19*	**1,881,429**	1,737,528
Loan commitment	*21*	**–**	64,778
Tax payable		**200,051**	185,320
		2,873,177	2,645,149
Net current assets		**1,251,493**	1,568,180

	Notes	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Total assets less current liabilities		**17,266,472**	16,677,213
Non-current liabilities			
Borrowings	*19*	**491,918**	695,823
Fixed rate senior notes	*20*	**1,544,274**	1,537,511
Convertible bonds	*21*	**791,476**	723,669
Deferred tax liabilities	*22*	**398,972**	412,547
		3,226,640	3,369,550
Net assets		**14,039,832**	13,307,663
EQUITY			
Share capital	*23*	**383**	383
Reserves		**14,039,449**	13,307,280
Total equity		**14,039,832**	13,307,663

On behalf of the Board

Director *Director*

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

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

	Attributed to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Employee share-based compensation reserve RMB'000	Capital contribution RMB'000	General reserve RMB'000	Statutory reserves RMB'000	Translation reserve RMB'000	Convertible bonds equity reserve RMB'000	Dividend reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
(Unaudited)												
At 1 January 2012	383	10,518,007	5	165,362	103,539	(413,367)	428,284	153,127	39,255	119,709	2,193,359	13,307,663
Recognition of share-based payments	–	–	–	35,427	–	–	–	–	–	–	–	35,427
Dividend for 2011	–	–	–	–	–	–	–	–	–	(119,709)	–	(119,709)
Transactions with owners	–	–	–	35,427	–	–	–	–	–	–	–	(84,282)
Profit for the period	–	–	–	–	–	–	–	–	–	–	820,114	820,114
Other comprehensive income – Exchange loss on translation of financial statements of foreign operations	–	–	–	–	–	–	–	(3,663)	–	–	–	(3,663)
Total comprehensive income for the period	–	–	–	–	–	–	–	(3,663)	–	–	820,114	816,451
Lapse of share options	–	–	–	(13,475)	–	–	–	–	–	–	13,475	–
At 30 June 2012	383	10,518,007*	5*	187,314*	103,539*	(413,367)*	428,284*	149,464*	39,255*	–*	3,026,948*	14,039,832

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Net cash generated from operating activities	**1,139,298**	1,236,475
Net cash used in investing activities	**(904,843)**	(445,752)
Net cash (used in)/generated from financing activities	**(49,569)**	1,270,269
Net increase in cash and cash equivalents	**184,886**	2,060,992
Cash and cash equivalents at beginning of the period	**2,631,426**	1,134,564
Effect of foreign exchange rate changes on cash and cash equivalents	**(59)**	(3,996)
Cash and cash equivalents at end of the period	**2,816,253**	3,191,560

1. General Information

China Lumena New Materials Corp. (the "Company") was incorporated in the Cayman Islands on 12 April 2007 as an exempted company with limited liability under the Companies Law of Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the Company's registered office is 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 Units 7503B, 7504 and 7505, Level 75, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

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

- 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

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2012 (the "Interim Financial Statements") have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board (the "IASB") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The Interim Financial Statements do not include all of the information required in annual financial statements in accordance with International Financial Reporting Standards ("IFRSs") (which collective term includes all applicable individual International Financial Reporting Standards and Interpretations as approved by the IASB, and all applicable individual International Accounting Standards and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by the IASB), and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2011.

1. General Information (Continued)

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

The Interim Financial Statements have been approved for issue by the board of directors on 30 August 2012.

2. Principal Accounting Policies

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

The accounting policies used in the Interim Financial Statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

3. Adoption of New/Revised IFRSs

In the current interim period, the Group has applied, for the first time, a number of new or revised standards and interpretations ("new or revised IFRSs"). The application of the new and revised IFRSs in the current period has no material effect on the amounts reported in the Interim Financial Statements and/or disclosures set out in the Interim Financial Statements.

The Group has not early applied the following new or revised IFRSs that have been issued but are not yet effective.

3. Adoption of New/Revised IFRSs (Continued)

IFRS 7 (Amendment)	Financial Instruments: Disclosure – Offset Financial Assets and Financial Liabilities[1]
IFRS 9	Financial Instruments[2]
IFRS 10	Consolidated Financial Statements[1]
IFRS 11	Joint Arrangements[1]
IFRS 12	Disclosure of Interests in Other Entities[1]
IFRS 13	Fair Value Measurement[1]
IAS 1 (Amendment)	Presentation of Items of Other Comprehensive Income[3]
IAS 19 (Amendment)	Employee Benefits[1]
IAS 27 (as revised in 2011)	Separate Financial Statements[1]
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
IAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities[4]
IFRIC – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]
Annual Improvements 2009 -2011 Cycle	Amendments to a Number of IFRSs Contained in Annual Improvements 2009-2011 Cycle Issued in May 2012[1]

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

The Group has already commenced an assessment of related impact of adopting the above new, revised or amended standards and interpretations to the Group. The Group is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the consolidated financial statements will be resulted.

4. Segment Information

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

Mining and thenardite business	Processing and sale of powder thenardite, specialty thenardite and medical thenardite
PPS business	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.

4. Segment Information (Continued)

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

	Mining and thenardite business		PPS business		Total	
	30 June		30 June		30 June	
	2012	2011	**2012**	2011	**2012**	2011
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Total segment revenue	**829,837**	1,028,233	**1,421,831**	1,232,910	**2,251,668**	2,261,143
Inter-segment revenue	**(48,580)**	(25,021)	**–**	–	**(48,580)**	(25,021)
Revenue from external customers	**781,257**	1,003,212	**1,421,831**	1,232,910	**2,203,088**	2,236,122
Reportable segment profit	**401,860**	513,906	**687,717**	595,332	**1,089,577**	1,109,238

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

	Mining and thenardite business		PPS business		Total	
	30 June	31 December	**30 June**	31 December	**30 June**	31 December
	2012	2011	**2012**	2011	**2012**	2011
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Reportable segment assets	**5,956,340**	5,564,038	**14,087,480**	13,611,914	**20,043,820**	19,175,952
Reportable segment liabilities	**(2,537,992)**	(2,899,960)	**(3,416,115)**	(3,088,979)	**(5,954,107)**	(5,988,939)

4. Segment Information (Continued)

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

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Reportable segment profit	**1,089,577**	1,109,238
Share-based payment expense	**(35,427)**	(32,672)
Depreciation and amortisation	**(1,115)**	(1,274)
Corporate income	**6,763**	6,039
Corporate expenses	**(26,301)**	(49,535)
Profit before income tax	**1,033,497**	1,031,796

5. Revenue

The Group's principal activities are disclosed in note 1 to the Interim Financial Statements. Turnover of the Group is the revenue from these activities.

Revenue of the Group represents the net amount received and receivable for goods sold, less value-added tax and returns, during the period.

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue from mining and thenardite business		
– Powder thenardite	**28,953**	52,381
– Medical thenardite	**433,998**	424,854
– Specialty thenardite	**318,306**	525,977
	781,257	1,003,212

5. Revenue (Continued)

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue from PPS business		
– Coating-grade PPS resin	**69,925**	57,729
– Injection-moulding-grade PPS resin	**112,161**	76,276
– Film-grade PPS resin	**35,933**	–
– PPS fibre	**219,978**	188,596
– PPS compounds	**983,834**	909,719
– Raw materials	**–**	590
	1,421,831	1,232,910
	2,203,088	2,236,122

6. Other Revenue and Gains

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Bank interest income	**7,624**	11,667
Government subsidy	**4,619**	–
Net foreign exchange gain	**7,102**	33,862
Rental income	**4,007**	3,005
Revaluation gain on investment properties	**2,400**	1,000
Sales of scrap materials	**685**	445
Gain on disposal of property, plant and equipment	**400**	–
Others	**1,037**	749
	27,874	50,728

7. Finance Costs

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest expenses on:		
– Bank borrowings wholly repayable within five years	**105,172**	46,815
– Other borrowing wholly repayable within five years	**15,536**	23,710
– Convertible bonds	**90,613**	20,454
– Fixed rate senior notes	**102,831**	105,842
Finance income of loan commitment	**(64,108)**	(1,195)
Arrangement fee of bank borrowings	**–**	8,216
	250,044	203,842
Less: Interest capitalised*	**(141,491)**	–
	108,553	203,842

* The borrowing costs have been capitalised at rate of 11% per annum for the six months ended 30 June 2012 and included in construction in progress and asset under construction.

8. Profit before Income Tax

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

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Amortisation of land use rights	**2,796**	2,112
Amortisation of mining rights	**6,382**	6,382
Amortisation of other intangible assets	**54,098**	49,914
Depreciation	**206,205**	168,273
Staff costs	**136,717**	134,373

9. Income Tax Expense

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current tax		
– Provision for Enterprise Income Tax ("EIT")	**226,958**	255,864
Deferred tax	**(13,575)**	(17,497)
Income tax expense	**213,383**	238,367

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any taxation under the jurisdiction of Cayman Islands and BVI during the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

9. Income Tax Expense (Continued)

Notes: (Continued)

(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 six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

(iii) The subsidiaries established in the People's Republic of China (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 rate of 25% (six months ended 30 June 2011: 25%).

(v) Pursuant to the Cai Shui [2011] No.58 issued by the Ministry of Commerce, General Administration of Customs and the State Administration of Taxation on 27 July 2011, Sichuan Deyang Chemical Co., Ltd ("Deyang Chemical") is entitled to apply for EIT rate of 15% for ten years since 2011 in accordance with the preferential policies for development of the West Regions, but subject to the annual approval by the tax authority in charge. Pursuant to a notice issued by the tax authority in charge dated 20 August 2012, Deyang Chemical may file the provisional EIT return and pay EIT at 15% for the six months ended 30 June 2012, which is subject to approval from the tax authority in charge after the annual EIT filing.

Deyang Chemical, 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, 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 rate for Deyang Chemical for the six months ended 30 June 2011 is 12.5%.

(vi) Pursuant to the government circular of Chuan Gao Qi Ren 2009 No. 1, Sichuan Deyang Special New Materials Co., Ltd ("Deyang New Materials") is designated as an advanced technology enterprise and is subject to preferential income tax rate of 15% for three years commencing 2009. Pursuant to a notice issued by the tax authority in charge on 20 August 2012, the designation as an advanced technology enterprise of Deyang New Materials has expired on 15 July 2012 and the applicable EIT rate for Deyang New Materials for the six months ended 30 June 2012 is 15% (six months ended 30 June 2011: 15%).

(vii) For the six months ended 30 June 2012, the Group did not have any material unrecognised deferred tax assets (six months ended 30 June 2011: Nil).

10. Dividends

During the six months ended 30 June 2011, a dividend of HK4.165 cents per share (equivalent to approximately RMB3.428 cents per share), amounting to RMB193,600,000 was paid to shareholders of the Company as the interim dividend.

The directors do not recommend the payment of dividend during the current interim period.

11. Earnings per Share

(a) Basic earnings per share

The calculation of the basic and diluted earnings per share for the six month periods ended 30 June 2012 and 30 June 2011 is based on the profit attributable to owners of the Company of RMB820,114,000 (six months ended 30 June 2011: RMB774,450,000) and the weighted average number of 5,593,962,000 (six months ended 30 June 2011: 5,149,182,000) ordinary shares in issue during the period.

(b) Diluted earnings per share

For the six months ended 30 June 2012, the diluted earnings per share was same as basic earnings per share because the deemed exercise price of the share options and the convertible bonds had an anti-dilutive effect on the basic earnings per share.

The calculation of diluted earnings per share for the six months ended 30 June 2011 is based on the profit attributable to owners of the Company of RMB794,904,000 after considering the effective interest expense on convertible bonds of RMB20,454,000 and the weighted average number of 5,492,173,000 ordinary shares after adjusting for the effect of all dilutive potential ordinary shares under the Company's share option scheme and convertible bonds.

12. Property, Plant and Equipment

During the six months ended 30 June 2012, the Group incurred capital expenditure of approximately RMB1,513,825,000, which were incurred as to approximately RMB2,098,000 (six months ended 30 June 2011: RMB2,619,767,000) in furniture, machinery and equipment, approximately RMB1,926,000 (six months ended 30 June 2011: RMB531,285,000) in buildings and mining structures, and approximately RMB1,509,801,000 (six months ended 30 June 2011: RMB515,610,000) in construction in progress, of which approximately RMB338,125,000 was transferred from deposits and prepayments since the commencement of construction.

13. Investment Properties

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Carrying amount at 1 January	**101,900**	–
Acquisition of through business combination	**–**	97,600
Change in fair value recognised in profit or loss	**2,400**	4,300
Carrying amount at 30 June/31 December	**104,300**	101,900

14. Goodwill

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Acquisition of Chuanmei Mirabilite – Mining and thenardite business	**8,386**	8,386
Acquisition of PPS business	**5,737,139**	5,737,139
Net carrying amount	**5,745,525**	5,745,525

15. Other Intangible Assets

	Trademark	Patents and technical know-how	Customer relationship	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cost				
At 1 January 2011	17,588	–	–	17,588
Acquisition of subsidiaries	–	826,600	391,400	1,218,000
At 31 December 2011 and 30 June 2012	17,588	826,600	391,400	1,235,588
Accumulated amortisation				
At 1 January 2011	–	–	–	–
Amortisation charge	–	(48,451)	(56,458)	(104,909)
At 31 December 2011 and 1 January 2012	–	(48,451)	(56,458)	(104,909)
Amortisation charge	–	(24,984)	(29,114)	(54,098)
At 30 June 2012	–	(73,435)	(85,572)	(159,007)
Net carrying amount				
At 30 June 2012 (Unaudited)	17,588	753,165	305,828	1,076,581
At 31 December 2011 (Audited)	17,588	778,149	334,942	1,130,679

Note:

Trademark as at the reporting date arose from acquisition of Chuanmei Mirabilite in 2004. The Group concluded that the trademark have no foreseeable limit to the period which it is expected to generate net cash inflow for the Group and regarded the trading rights as having indefinite useful life.

Purchased patents and technical know-how and customer relationship, 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.

16. Trade and Other Receivables

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Trade receivables, net	**943,650**	973,272
Bills receivables	**8,093**	2,787
	951,743	976,059
Other receivables	**33,796**	282,087
Deposits and prepayments	**204,961**	103,873
	1,190,500	1,362,019

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

16. Trade and Other Receivables (Continued)

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

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Outstanding balances with ages:		
– 90 days or below	**723,214**	715,918
– 91 – 180 days	**151,123**	248,397
– 181 – 365 days	**72,727**	6,498
– Over 365 days	**4,679**	5,246
	951,743	976,059

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

17. Pledge of Assets

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

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Buildings and mining structures	20,640	24,621
Land use rights	77,153	75,587
Machinery and equipment	472,705	506,365
Mining rights	278,677	287,824
Pledged deposits	37,689	156,568
	886,864	1,050,965

18. Trade and Other Payables

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Trade payables	155,996	120,608
Bills payables	35,350	30,430
	191,346	151,038
Other payables	437,013	458,365
Receipt in advance	43,629	48,120
Dividend payable	119,709	–
	791,697	657,523

18. Trade and other Payables (Continued)

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

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Outstanding balances with ages:		
– 90 days or below	128,014	75,070
– 91 – 180 days	8,113	25,788
– 181 – 365 days	12,979	9,432
– Over 365 days	42,240	40,748
	191,346	151,038

19. Borrowings

As at reporting date, the Group's borrowings were repayable as follows:

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Secured:		
Bank loans	2,091,291	1,973,834
Sale and leaseback borrowing	77,317	76,085
	2,168,608	2,049,919
Unsecured:		
Other loan from a third party	204,739	383,432
	2,373,347	2,433,351

19. Borrowings (Continued)

The maturity profile of the above borrowings is as follows:

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Current		
– Within one year	**1,881,429**	1,737,528
Non-current		
– In the second year	**491,918**	695,823
	2,373,347	2,433,351

Movements in borrowings are analysed as follows:

	Six months ended 30 June	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
At beginning of the period	**2,433,351**	531,700
New loans raised	**1,049,784**	819,966
Arising from business combination	**–**	1,367,023
Interest expenses *(note 7)*	**120,708**	70,525
Interest paid	**(106,339)**	(71,661)
Repayment of borrowings	**(1,124,421)**	(1,061,665)
Exchange realignment	**264**	(13,371)
At end of the period	**2,373,347**	1,642,517

19. Borrowings (Continued)

Notes:

(i) As at 30 June 2012, the RMB bank loan of approximately RMB308 million (31 December 2011: Nil) was arranged at fixed interest rate of 6.05% to 7.22% per annum.

(ii) As at 30 June 2012, the RMB bank loans of approximately RMB664 million (31 December 2011: RMB993 million) were arranged at floating rates of 6.10% to 8.86% (31 December 2011: 6.06% to 8.86%) per annum.

(iii) As at 30 June 2012, the USD bank loans of approximately RMB1,197 million (31 December 2011: RMB1,057 million) were arranged at floating rates of 7.26% to 12.00% (31 December 2011: 7.26% to 11.83%) per annum.

(iv) The other loan from a third party was arranged at fixed interest rate of 12% per annum as at 30 June 2012 and 31 December 2011.

(v) The secured RMB bank loans of approximately RMB268 million (31 December 2011: RMB993 million) are collateralised by pledging of certain buildings, machinery and equipment and other assets of the Group as set out in note 17.

(vi) The USD bank loan of approximately RMB1,197 million (31 December 2011: RMB1,057 million) is guaranteed by certain subsidiaries of the Company and collateralised by pledging of a bank deposit of approximately RMB21.7 million (31 December 2011: RMB47 million).

20. Fixed Rate Senior Notes

On 27 October 2009, the Company issued USD250,000,000 (equivalent to approximately RMB1,706,458,000) of 12% fixed rate senior notes (the "Notes"), which will 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. 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.

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

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

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

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

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

20. Fixed Rate Senior Notes (Continued)

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

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Carrying amount as at 1 January	**1,537,511**	1,588,669
Interest expenses *(note 7)*	**102,831**	210,653
Interest paid	**(94,543)**	(194,267)
Exchange realignment	**(1,525)**	(67,544)
Carrying amount as at 30 June/ 31 December	**1,544,274**	1,537,511
Fair value of the Notes as at 30 June/ 31 December*	**1,419,610**	1,395,101

* 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.

21. Convertible Bonds and Loan Commitment

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

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.

21. Convertible Bonds and Loan Commitment (Continued)

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%.

21. Convertible Bonds and Loan Commitment (Continued)

The movement of the liability component of the Convertible Bonds, the loan commitment and the equity component 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	102,488	–	–
Interest paid	(24,475)	–	–
Recognised in profit or loss	–	(5,528)	–
Exchange realignment	(13,774)	(1,303)	–
Carrying amount as at 31 December 2011 (audited) and 1 January 2012	723,669	64,778	39,255
Interest expenses *(note 7)*	90,613	–	–
Interest paid	(22,690)	–	–
Recognised in profit or loss *(note 7)*	–	(64,108)	–
Exchange realignment	(116)	(670)	–
Carrying amount as at 30 June 2012 (unaudited)	791,476	–	39,255

21. Convertible Bonds and Loan Commitment (Continued)

Analysed for reporting purposes as:

As at 30 June 2012 (unaudited)	**Liability component RMB'000**	**Loan commitment RMB'000**	**Equity component RMB'000**
Convertible bonds included in non-current liabilities	**791,476**	**–**	**–**
Equity component included in convertible bond equity reserve	**–**	**–**	**39,255**
	791,476	**–**	**39,255**

As at 31 December 2011 (audited)	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 bond equity reserve	–	–	39,255
	723,669	64,778	39,255

22. Deferred Tax Liabilities

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

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
At 1 January	**412,547**	30,616
Arising from business combination	**–**	415,904
Charged to profit or loss	**(13,575)**	(33,973)
At 30 June/31 December	**398,972**	412,547

The following are the major deferred tax liabilities recognised during the period/year is as follows:

	Withholding tax on the unremitted earning RMB'000	Fair value adjustment on property, plant and equipment RMB'000	Fair value adjustment on land use rights RMB'000	Fair value adjustment on other intangible assets RMB'000	Revaluation of investment properties RMB'000	Interest capitalisation RMB'000	Total RMB'000
At 1 January 2011	30,616	–	–	–	–	–	30,616
Arising from business combination	–	108,893	11,116	286,788	9,107	–	415,904
(Credited)/Charged to profit or loss	–	(10,334)	(214)	(26,227)	1,075	1,727	(33,973)
At 31 December 2011 (audited) and 1 January 2012	30,616	98,559	10,902	260,561	10,182	1,727	412,547
(Credited)/Charged to profit or loss	–	(5,329)	(110)	(13,524)	600	4,788	(13,575)
At 30 June 2012 (unaudited)	30,616	93,230	10,792	247,037	10,782	6,515	398,972

22. Deferred Tax Liabilities (Continued)

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 30 June 2012, deferred tax liabilities of approximately RMB30,616,000 (31 December 2011: RMB30,616,000) were recognised in respect of the undistributed retained earnings of the PRC subsidiaries. The aggregate amount of temporary differences associated with the PRC subsidiaries' undistributed retained earnings for deferred tax liabilities have not recognised are RMB3,215,402,000 (31 December 2011: RMB2,206,853,000). 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 losses available for offset against future profits, not recognised as deferred tax assets, is approximately RMB84,459,000 (equivalent to approximately HKD103,087,000) (31 December 2011: RMB84,459,000 (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.

23. Share Capital

	Number of ordinary shares of USD0.00001 each	Nominal value	
		USD	RMB'000
Authorised:			
At 1 January, 2011, 31 December 2011, 1 January 2012 and 30 June 2012	10,000,000,000	100,000	718
Issued and fully paid:			
At 1 January 2011	1,981,722,664	19,818	145
Issue of placing and subscription shares	340,000,000	3,400	23
Issue of consideration shares for acquisition of subsidiaries	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	(53,908,000)	(539)	(4)
At 31 December 2011 (audited), 1 January 2012 and 30 June 2012 (unaudited)	5,593,962,007	55,941	383

24. Operating Lease Commitments

The Group as lessee

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

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Within one year	**12,042**	14,529
In the second to fifth years	**6,692**	11,468
	18,734	25,997

The Group leases a number of properties under operating leases. The leases run for an initial period of 1 to 5 years, with an option to renew the lease and renegotiate the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords/lessors. None of the leases include contingent rentals.

The Group as lessor

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

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Within one year	**8,000**	8,000
In the second to fifth years	**32,000**	32,000
Over five years	**20,000**	24,000
	60,000	64,000

25. Capital Commitments

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

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Contracted, but not provided for:		
– additions to property, plant and equipment	**998,702**	2,209,376