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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)

(Stock Code: 67)

CLARIFICATION ANNOUNCEMENT

Reference is made to the Glaucus Report and the announcement of the Company issued on Tuesday, 25 March 2014 in relation to the suspension of trading in the Shares. This announcement is made to refute or clarify the allegations or comments concerning the Group raised in the Glaucus Report.

Save as disclosed in this announcement and to be disclosed in the Second Clarification Announcement in connection with the Emerson Report, after having made reasonable enquiries with respect to the Company as is reasonable in the circumstances, the Company confirms that it is not aware of any information which must be announced to avoid a false market in the Company's securities or of any inside information that needs to be disclosed under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

This announcement is made by the order of the Company. The Board collectively and individually accepts responsibility for the accuracy of this announcement.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the Shares.

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 10:56 a.m. on Tuesday, 25 March 2014 pending the release of this announcement.

The Company subsequently announced on 28 March 2014 that the release of the 2013 Annual Results Announcement will be postponed to a later date to be fixed by the Board.

On 1 April 2014, Emerson Analytics issued the Emerson Report which contains certain allegations and comments on the Group. The Company is in the course of preparing the Second Clarification Announcement to refute or clarify the allegations and comments made in the Emerson Report.

Trading in the Shares on the Stock Exchange will continue to be suspended pending the release of the Second Clarification Announcement and the 2013 Annual Results Announcement.

Reference is made to a report (the "Glaucus Report") issued by Glaucus Research Group ("Glaucus") on Tuesday, 25 March 2014 and the announcement issued by China Lumena New Materials Corp. (the "Company", together with its subsidiaries, the "Group") at 2:35 p.m. on Tuesday, 25 March 2014 in relation to the suspension of trading in the shares (the "Shares") of the Company. The Company does not have any background information as to the identity of Glaucus.

Summary

As mentioned in the Glaucus Report, Glaucus is a short seller and will make money if the price of the Company's shares declines. Under these circumstances, the Company recommends that the shareholders of the Company and investors to exercise extreme caution when using information in the Glaucus Report. The Glaucus Report contains certain allegations or comments on the Company which are not based on any facts or are misrepresentations. Moreover, Glaucus has never liaised with the Company to verify any data or information stated in the Glaucus Report. This announcement is made to refute these allegations or comments concerning the Group in the Glaucus Report. In the meantime, the Company is seeking legal advice from its legal advisers and reserves its rights to take legal actions against Glaucus.

According to the Company's records, its auditor, BDO Limited (the "Auditor"), audited the Group's financial statements for the years ended 31 December 2010, 31 December 2011 and 31 December 2012 in accordance with Hong Kong Standards on Auditing and expressed an unqualified opinion on each of these financial statements.

ALLEGATIONS OR COMMENTS CONCERNING THE GROUP IN THE GLAUCUS REPORT

1. The Company overstated sales and profitability of polyphenylene sulfide ("PPS") products

The Glaucus Report alleged that the turnover of Sichuan Deyang Chemical Co., Ltd. ("Sichuan Deyang Chemical"), a wholly-owned subsidiary of the Company, accounted for approximately 72% of the total turnover of the Group's PPS products segment in 2011 and 2012, and that according to the financial documents of Sichuan Deyang Chemical for 2011 and 2012 allegedly filed with Sichuan Chengdu Municipal Administration for Industry and Commerce (四川省成都市工商行政管理局), Sichuan Deyang Chemical's turnover was RMB189 million and RMB181 million in 2011 and 2012, respectively, and its profit before tax in 2011 and 2012 was RMB38 million and

RMB20 million, respectively. The Glaucus Report concluded that these four financial data were 90% less than the figures disclosed in the 2011 and 2012 annual reports of the Company and that the Company overstated its sales and profit in PPS products.

The Company hereby states and clarifies the following information:

(a) The Group, mainly through two wholly-owned subsidiaries, Sichuan Deyang Special New Materials Co., Ltd. ("Sichuan Deyang New Materials") and Sichuan Deyang Chemical, conducts its sale of PPS products. At present, the production facilities of Sichuan Deyang New Materials located in Deyang, Sichuan Province have two PPS production lines for producing PPS resin with a combined production capacity of 24,000 tpa (tonnes per annum) (in terms of pure resin) and one production line for producing PPS fibre with a production capacity of 5,000 tpa. The production facility of Sichuan Deyang Chemical in Shuangliu County, Sichuan Province has one production line for producing PPS resin with a production capacity of 6,000 tpa (in terms of pure resin) as well as a production line for producing PPS compounds with a production capacity of 30,000 tpa. The production line for producing PPS compounds with a production capacity of 30,000 tpa is operated by both companies. These two companies utilize their own production capacity for PPS resin to manufacture and sell PPS compounds related products. As PPS compounds are one of the major product types of the Group, Sichuan Deyang New Materials undoubtedly reported a much higher sales volume than Sichuan Deyang Chemical.

(b) The financial statements of Sichuan Deyang Chemical and Sichuan Deyang New Materials of 2011 prepared in accordance with the Generally Accepted Accounting Principles of the People's Republic of China (the "PRC Accounting Principles") were audited by Sichuan Hualian Certified Public Accountants Co., Ltd, while their financial statements for 2012 prepared in accordance with the PRC Accounting Principles were audited by Tianyi Account of Sichuan Province Co., Ltd. in the People's Republic of China (the "PRC").

The following table sets out the audited turnover of Sichuan Deyang Chemical and Sichuan Deyang New Materials for the years ended 31 December 2011 and 31 December 2012 which are prepared in accordance with the PRC Accounting Principles. After taking into account of the adjustment made for the difference under the International Accounting Standards (the "IAS") and other items, the adjusted turnover of the PPS segment was consistent with the audited turnover of the PPS segment as disclosed in the 2011 and 2012 annual reports of the Company, and the Auditor also expressed unqualified opinions regarding the consolidated financial statements of the Group for the years 2011 and 2012.

	2011				
	Sichuan Deyang Chemical *(RMB million)*	**Sichuan Deyang New Materials** *(RMB million)*	**Turnover of PPS segment prepared under the PRC Accounting Principles** *(RMB million)*	**Adjustments** *(RMB million)*	**Audited turnover of PPS segment prepared under the IAS** *(RMB million)*
Turnover					
PPS resin	67	315	382	(7)	375
PPS fibre	—	414	414	(6)	408
PPS compounds	371	1,423	1,794	(42)	1,752
Total *(Note)*	438	2,152	2,590	(55)	2,535
Percentage (%)	17%	83%	100%		

Note: The adjustments of approximately RMB55 million included revenue of approximately RMB58 million generated from the PPS business before the acquisition completed on 14 January 2011, offsetting with the adjustments of RMB3 million arising due to the difference between the PRC Accounting Principles and the IAS.

	2012				
	Sichuan Deyang Chemical *(RMB million)*	**Sichuan Deyang New Materials** *(RMB million)*	**Turnover of PPS segment prepared under the PRC Accounting Principles** *(RMB million)*	**Adjustment arising due to the difference between the PRC Accounting Principles and IAS** *(RMB million)*	**Audited turnover of PPS segment prepared under the IAS** *(RMB million)*
Turnover					
PPS resin	91	420	511	(3)	508
PPS fibre	—	433	433	—	433
PPS compounds	432	1,560	1,992	(1)	1,991
Total	523	2,413	2,936	(4)	2,932
Percentage (%)	18%	82%	100%		

(c) According to the audited financial statements of Sichuan Deyang Chemical and Sichuan Deyang New Materials for the years ended 31 December 2011 and 31 December 2012 prepared in accordance with the PRC Accounting Principles, the audited profit before tax of the two companies in 2011 and 2012 is as follows:

	2011			2012		
	Sichuan Deyang Chemical *(RMB million)*	**Sichuan Deyang New Materials** *(RMB million)*	**Total** *(RMB million)*	**Sichuan Deyang Chemical** *(RMB million)*	**Sichuan Deyang New Materials** *(RMB million)*	**Total** *(RMB million)*
Profit before tax	159	1,271	1,430	197	1,390	1,587
Percentage (%)	11%	89%	100%	12%	88%	100%

According to the information set out in the tables in paragraph 1(b) above and this paragraph 1(c), the revenue of Sichuan Deyang Chemical in 2011 and 2012 amounted to RMB438 million and RMB523 million, respectively, and profit before tax was RMB159 million and RMB197 million, respectively. The Company wishes to point out that the financial information of Sichuan Deyang Chemical set out in the Glaucus Report was wrong and without basis.

(d) To the belief of the Company, under appropriate and proper and normal circumstances, only authorised persons are entitled to obtain copies of documents from the Administration for Industry and Commerce of the People's Republic of China ("SAIC" and its branches, "AIC"). The Company hereby, on behalf of all of its subsidiaries established in the PRC, confirms that, the Group has never granted any authority to any persons other than the staff of the Group to obtain copies of the AIC filings.

In addition, during 2012 and 2013, the Group's staff verified in person the financial documents of Sichuan Deyang Chemical and Sichuan Deyang New Materials for the financial years 2011 and 2012 filed with each of Chengdu AIC (成都市工商行政管理局) and Deyang AIC (德陽市工商行政管理局), and successfully obtained such documents affixed with the official seal of the above authorities in accordance with the proper and normal procedures. On 26 March 2014, an employee of the Company re-verified in person the original financial documents of Sichuan Deyang Chemical and Sichuan Deyang New Materials of 2011 and 2012 filed with each of the above two authorities, and successfully obtained the same copies of financial documents of Sichuan Deyang Chemical and Sichuan Deyang New Materials of 2011 and 2012 affixed with the official seal of the above authorities in accordance with appropriate and the proper and normal procedures. As stated in the abovementioned financial documents filed with the relevant AICs, the turnover and profit before tax of Sichuan Deyang Chemical and Sichuan Deyang New Materials for 2011 and 2012 are as follows:

	2011			**2012**		
	Sichuan Deyang Chemical *(RMB million)*	**Sichuan Deyang New Materials** *(RMB million)*	**Total** *(RMB million)*	**Sichuan Deyang Chemical** *(RMB million)*	**Sichuan Deyang New Materials** *(RMB million)*	**Total** *(RMB million)*
Revenue	438	2,152	2,590	523	2,413	2,936
Profit before tax	159	1,271	1,430	197	1,390	1,587

It is apparent from the above table that the financial information shown in the financial documents filed with the relevant AICs is consistent with the data set out in the tables under paragraph 1(b) and paragraph 1(c) above in relation to the audited financial statements prepared under the PRC Accounting Principles.

The above documents will be made available for inspection at the Company's principal place of business in Hong Kong, including (i) the audited financial statements of Sichuan Deyang Chemical and Sichuan Deyang New Materials for the years ended 31 December 2011 and 31 December 2012 prepared under the PRC Accounting Principles; and (ii) the financial documents of Sichuan Deyang Chemical and Sichuan Deyang New Materials for the financial years 2011 and 2012 filed with the AIC and affixed with its official seal. Shareholders are required to provide the Company with appropriate documents (share certificates or other evidence of ownership of Shares as reasonably requested by the Company) in proving that he/she/it is in fact a shareholder of the Company. The said documents will be available for inspection from 2:00 p.m. to 4:30 p.m. on Monday to Friday between 4 April 2014 and 30 April 2014 (both days inclusive) except for Saturdays, Sundays and Hong Kong public holidays.

Moreover, the revenue of Sichuan Deyang Chemical in 2011 and 2012 accounted for 17% and 18% of the total revenue of the Group's PPS segment, respectively. Since January 2011, after the completion of the acquisition of Sichuan Deyang Chemical and Sichuan Deyang New Materials by the Group, sales of the Group's PPS products mainly comprise the sales from Sichuan Deyang New Materials (approximately 82%–83%) and sales from Sichuan Deyang Chemical (approximately 17%–18%). As such, the statements in the Glaucus Report that the revenue of Sichuan Deyang Chemical accounted for 72% of the Group's total revenue and Sichuan Deyang Chemical is the primary source of the Group's revenue are completely wrong. The substantial discrepancies between the financial information contained in the Glaucus Report and the Group's actual circumstances have demonstrated that Glaucus does not even have the most basic understanding of the Group's operations.

2. Tax actually paid by Sichuan Deyang New Materials was inconsistent with the figures as disclosed in the financial statements

The Glaucus Report alleged that according to the list of 2011 Deyang top tax paying enterprises (the "List") published on the website of the local tax department of Deyang City, Sichuan Province, taxes paid by Sichuan Deyang New Materials in that year ranked in the 74th place in Deyang City in 2011, and a company that ranked in the 16th place was a listed company with a tax amount of approximately RMB89 million in that year. If the gross profit and profit before tax reported by Sichuan Deyang New Materials accounted for RMB 1,415 million and RMB 915 million in the Group's PPS business, the tax payable of Sichuan Deyang New Materials for the year amounted to RMB 378 million.

The Company wishes to point out that the List did not take into account of all the different taxes paid/payable in Deyang City. Therefore, it is misleading to infer on the Group's tax position from the List. The List only relies on certain taxes collected by the local tax department of Deyang City in 2011 and did not include all of the taxes collected during that year. The Group needs to pay taxes to two tax authorities. The first one is the local tax department of Deyang City which mainly collects business tax, additional tax and fees of the turnover tax, property tax (including land use tax, property use tax) and individual income tax. The second tax authority is the National Tax Department of the Economic and Technology Development District of Deyang City which mainly collects value-added tax and corporate income tax. Out of the taxes paid by the Group in 2011, the taxes paid to the local tax department of Deyang City was relatively small. Sichuan Deyang New Materials' ranking on the List could not reflect its actual tax position.

Sichuan Deyang New Materials tax payable to Deyang Municipal Local Taxation Bureau (德陽市地方稅務局) and State Taxation Bureau of Deyang Municipal Economic and Technological Development Zone (德陽市經濟技術開發區國家稅務局) in 2011 and 2012, while Sichuan Deyang Chemical paid tax to Shuangliu County Local Taxation Bureau (雙流縣地方稅務局) and Shuangliu County State Taxation Bureau (雙流縣國家稅務局) in 2011 and 2012. Set out below is the breakdown of their tax expenses.

2011	**Sichuan Deyang Chemical** *(RMB million)*	**Sichuan Deyang New Materials** *(RMB million)*	**Total** *(RMB million)*
Paid to Deyang Municipal Local Taxation Bureau and Shuangliu County Local Taxation Bureau:			
Individual income tax	1	1	2
Property tax	—	2	2
Land use tax	—	1	1
Stamp duty	—	1	1
Urban construction tax	2	1	3
Education fee and local education fee surcharge	2	1	3
	5	7	12
Paid to State Taxation Bureau of Deyang Municipal Economic and Technological Development Zone and Shuangliu County State Taxation Bureau:			
Value-added tax	47	271	318
Enterprise income tax	26	177	203
	73	448	521

2012	Sichuan Deyang Chemical (RMB million)	Sichuan Deyang New Materials (RMB million)	Total (RMB million)
Paid to Deyang Municipal Local Taxation Bureau and Shuangliu County Local Taxation Bureau:			
Individual income tax	1	—	1
Property tax	3	2	5
Land use tax	1	2	3
Stamp duty	—	1	1
Urban construction tax	1	—	1
Education fee and local education fee surcharge	1	1	2
	6	7	13
Paid to State Taxation Bureau of Deyang Municipal Economic and Technological Development Zone and Shuangliu County State Taxation Bureau:			
Value-added tax	54	287	341
Enterprise income tax	29	255	284
	83	542	625

Sichuan Deyang New Materials has separately obtained tax clearance certificates for the year 2011 from the local tax department of Deyang City and the National Tax Department of the Economic and Technology Development District of Deyang City. These tax clearance certificates certified that Sichuan Deyang New Materials was in compliance with the relevant tax regulations and had fully settled taxes (including value-added tax and enterprise income tax) in the amount of approximately RMB450 million.

The above documents will be made available for inspection at the Company's principal place of business in Hong Kong, including the tax clearance certificates of Sichuan Deyang Chemical and Sichuan Deyang New Materials in respect of the value-added tax and enterprise income tax paid in 2011 and 2012. Shareholders are required to provide the Company with appropriate documents (share certificate(s) or other evidence of ownership of Shares as reasonably requested by the Company) in proving that he/she/it is a shareholder of the Company. The said documents will be available for inspection from 2:00 p.m. to 4:30 p.m. on Monday to Friday between 3 April 2014 and 30 April 2014 (both days inclusive) except for Saturdays, Sundays and public holidays in Hong Kong.

In order to prove that the amounts of taxes actually paid by the Group (including but not limited to Sichuan Deyang New Materials involved in these allegations in the Glaucus Report) in 2011 and 2012 are consistent with the figures disclosed in the financial statements, the breakdown of the taxes paid by each of the PRC operating companies of the Group for 2011 and 2012 is set out below.

Breakdown of Income Tax for 2011

		Sichuan Deyang New Materials *(RMB million)*	**Sichuan Deyang Chemical** *(RMB million)*	**Sichuan Chuanmei Mirabilite Co., Ltd.** *(RMB million)*	**Sichuan Chuanmei Special Glauber Salt Co., Ltd.** *(RMB million)*	**Total amount** *(RMB million)*
Income tax payable for 2010 disclosed in the financial statements prepared under the PRC Accounting Principles		—	—	14	(24)	(10)
Difference between the IAS and the PRC Accounting Principles	*Note 1*	—	—	1	24	25
Sub-total		—	—	15	—	15
Acquisition of subsidiaries	*Note 2*	145	10	—	—	155
Income tax expenses for 2011		187	20	120	142	469
Difference between IAS and PRC Accounting Principles	*Note 3*	—	—	—	22	22
Sub-total: Income tax expenses for 2011 prepared under the IAS		187	20	120	164	491
Income tax paid in 2011 (tax clearance certificate obtained)		(177)	(26)	(131)	(142)	(476)
Income tax payable for 2011 prepared under the IAS		155	4	4	22	185

Unit: RMB million

Notes:

1 Difference between the IAS and the PRC Accounting Principles: reclassification of other tax expenses

2 Purchase of PPS business on 14 January 2011. Details circular of the Company issued to shareholders on 14 December 2010 in relation to the very significant and connected transaction

3 Difference between the IAS and the PRC Accounting Principles: adjustment of deferred tax on provision for receivables

Breakdown of Income Tax for 2012

		Sichuan Deyang New Materials *(RMB million)*	Sichuan Deyang Chemical *(RMB million)*	Sichuan Chuanmei Mirabilite Co., Ltd. *(RMB million)*	Sichuan Chuanmei Special Glauber Salt Co., Ltd. *(RMB million)*	Total amount *(RMB million)*
Income tax payable for 2011 disclosed in the financial statements prepared under the PRC Accounting Principles		154	4	4	—	162
Difference between the IAS and the PRC Accounting Principles	*Note 1*	—	—	1	22	23
Sub-total		154	4	5	22	185
Sub-total: Income tax expenses for 2012 prepared under the IAS		209	32	146	78	465
Income tax paid in 2012 (tax clearance certificate obtained)		(255)	(29)	(119)	(52)	(455)
Income tax payable for 2012 prepared under the IAS		108	7	32	48	195

Unit: RMB million

Note:

1 Difference between the IAS and the PRC Accounting Principles: reclassification of other tax expenses and adjustment of deferred tax on provision for receivables

As shown in the above tables, the amounts of taxes paid by the Group in 2011 and 2012 were approximately RMB476 million and RMB455 million, respectively, and all relevant tax clearance certificates were obtained. In addition, the total amount of income tax expenses and balances of income tax payable of the Group had been disclosed in the 2011 and 2012 annual reports, and the Auditor expressed unqualified opinions regarding the consolidated financial statements of the Group for 2011 and 2012.

3. The cost of sales attributable to Chengdu Yi Jing Chemical Co., Ltd. (成都藝競化工有限責任公司) as shown in the financial documents filed with the AICs, was inconsistent with the sales figures disclosed by the Company and the difference between both is substantial

The Glaucus Report alleged that according to certain financial documents of a major customer of the Group, Chengdu Yi Jing Chemical Co., Ltd. ("Chengdu Yi Jing") filed with the AICs, the cost of sales in 2009 and 2010 was approximately 90% lower than the total sales to this customer as disclosed by the Company. As such, the Glaucus Report alleged that the Company fabricated the sales figures.

The Company hereby confirms that the sales between the Group and Chengdu Yi Jing in 2009 and 2010 amounted to RMB339 million and RMB443 million, respectively, and that the Group and Chengdu Yi Jing would reconcile the sales figures on a monthly basis. The Group issued reconciliation statements setting out the particulars, quantity and amount of the products sold during each month. Chengdu Yi Jing would verify and confirm the contents of the statements by counter-signing thereon. The Company has already confirmed with Chengdu Yi Jing that all reconciliation statements issued from 2009 and 2010 were signed off by Chengdu Yi Jing and that the contents thereon were accurate and correct. Moreover, the relevant receivables had been fully recovered in 2011 without any difficulties. The auditors had also given unqualified opinions regarding the consolidated financial statements of the Group for 2009 and 2010.

On the other hand, the Company is only responsible for the Group's accounts. The Company considers that it may be inappropriate to comment on the completeness and accuracy of the financial statements filed with the AIC by its customers.

4. The financial information shown in the financial documents filed with the AIC by two subsidiaries was inconsistent with that disclosed by the Company and the difference is quite significant

The Glaucus Report alleged that according to the financial documents filed with the AIC by the two subsidiaries of the Company, Sichuan Chuanmei Mirabilite Co., Ltd. ("Sichuan Chuanmei Mirabilite") and Sichuan Chuanmei Special Glauber Salt Co., Ltd. ("Sichuan Chuanmei Special Glauber Salt"), the revenue and the net profit are inconsistent with the ones published by the Company in 2010. The Glaucus Report also indicated that Debtwire issued a report in August 2011 (the "Debtwire Report") alleging that the financial information of the Company in 2008 and 2009 as published by the Company were inconsistent with the financial documents filed with the AIC by Sichuan Chuanmei Mirabilite and Sichuan Chuanmei Special Glauber Salt. The Company had shown the originals of these financial documents to Debtwire to prove that the financial information was correct. However, Glaucus questioned the reason for not letting Debtwire keep a copy of the official document.

The Company wishes to state and clarify the following:

(a) The documents attached to the Debtwire Report which were filed with the AIC by the two subsidiaries of the Company, being Sichuan Chuanmei Mirabilite and Sichuan Chuanmei Special Glauber Salt in 2008 and 2009, were unofficial electronic version of the financial documents. Moreover, these documents, without the official stamp of SAIC or AIC, contain numerous errors and are not authentic documents.

(b) In August 2011, the Company made an application with the relevant AIC and obtained the originals of the financial documents of Sichuan Chuanmei Mirabilite and Sichuan Chuanmei Special Glauber Salt for 2008 and 2009 with the official seal of the relevant AIC affixed thereon. Taking into consideration that any important information should be simultaneously distributed to all shareholders and potential investors, the Company did not allow Debtwire to keep a copy of the documents. As the Debtwire Report was only limited to its users rather than to the public and this incident did not raise further issues for the Company at the time, the Company did not make further response to this incident.

(c) Based on the audited financial statements of Sichuan Chuanmei Mirabilite and Sichuan Chuanmei Special Glauber Salt for the year ended 31 December 2010, which were prepared in accordance with the PRC Accounting Principles, the audited turnover and profit for the year of Sichuan Chuanmei Mirabilite in 2010 were RMB920 million and RMB455 million, respectively, while the audited turnover and profit for the year of Sichuan Chuanmei Special Glauber Salt during 2010 were RMB1,041 million and RMB532 million, respectively. The total turnover was approximately RMB1,961 million, which was consistent with the audited consolidated turnover disclosed in the Group's 2010 annual report. Furthermore, total profits for the year amounted to approximately RMB987 million, after putting through adjustments (refer to Table 1) and taking into account the losses for the year of the Company and an offshore subsidiary of the Company, was also consistent with the audited consolidated profits for 2010 as disclosed in the Group's 2010 annual report. The Auditor has also expressed an unqualified opinion in the auditor's report enclosed with the 2010 annual report.

Total Turnover and Profits for 2010

	Turnover *RMB'000*	**Profits for the year** *RMB'000*
Audited turnover and profit for the year from the thenardite business, prepared under the PRC Accounting Principles:		
— Sichuan Chuanmei Mirabilite	920,481	455,379
— Sichuan Chuanmei Special Glauber Salt	1,040,734	531,931
	1,961,215	987,310
Adjusted for:		
Exchange gains of the PRC subsidiary recognised for the year 31 December 2010 (explanation: exchange gains recognised for the amounts payable by the PRC subsidiary to the HK parent as a result of RMB appreciation)	—	16,396
Book losses of the Company and a subsidiary outside the PRC, including fixed interest rate senior notes and equity-settled share-based payment	—	(270,388)
Others	—	(3,976)
Turnover and profit for the year from the thenardite business disclosed in the audited financial statements prepared under the IAS	1,961,215	729,342

(d) The Glaucus Report restated that the allegations made by the Debtwire Report against Sichuan Chuanmei Mirabilite and Sichuan Chuanmei Special Glauber Salt as that the financial date in the financial documents filed with the AIC in 2008 and 2009 were inconsistent with those published by the Company, and Glaucus claimed that the sales and net profit of Sichuan Chuanmei Mirabilite and Sichuan Chuanmei Special Glauber Salt for 2010 in a financial document it obtained from the AIC were suspected to be inconsistent with the ones disclosed by the Company. However, the Company is aware that under normal circumstances, only authorized person may obtain copies of the documents at the AIC. The Company, in representing all subsidiaries in the PRC, confirms that the Group has never authorised any person other than the employees of the Group to obtain documents from the AIC.

In addition, the Group's staff verified in person the financial documents of Sichuan Chuanmei Mirabilite and Sichuan Chuanmei Special Glauber Salt for the financial year ended 2010 that were filed with Meishan AIC in 2011, and obtained these documents affixed with the official seal in accordance with appropriate and the proper and normal procedures. On 26 March 2014, an employee of the Company re-verified in person the financial documents of Sichuan Chuanmei Mirabilite and Sichuan Chuanmei Special Glauber Salt for the financial years ended 2008, 2009, and 2010 that were filed with the AIC, and obtained the same copies (see paragraph 4(b) above) of financial documents of Sichuan Chuanmei Mirabilite and Sichuan Chuanmei Special Glauber Salt for the financial years ended 2008, 2009 and 2010 affixed with the official seal of the AIC in accordance with the proper and normal procedures. On the same day, an employee of the Company obtained the copies of financial documents of Sichuan Chuanmei Mirabilite and Sichuan Chuanmei Special Glauber Salt for the financial years ended 2011 and 2012 affixed with the official seal of the AIC in accordance with appropriate and the proper and normal procedures.

The above documents will be made available for inspection in the Company's principal place of business in Hong Kong, including (i) the audited financial statements of Sichuan Chuanmei Mirabilite and Sichuan Chuanmei Special Glauber Salt for the year ended 31 December 2010 prepared under the PRC Accounting Principles; and (ii) the financial documents of Sichuan Chuanmei Glamber Mirabilite and Sichuan Chuanmei Special Glamber Salt for the filed financial years ended 2008, 2009, and 2010 affixed with the official seal of the AIC. Shareholders are required to provide the Company with appropriate documents (share certificate(s) or other evidence of ownership of Shares as reasonably requested by the Company) in proving that he/she/it is a shareholder of the Company. The said documents will be available for inspection from 2:00 p.m. to 4:30 p.m. on Monday to Friday between 4 April 2014 and 30 April 2014 (both days inclusive) except for Saturdays, Sundays and public holidays in Hong Kong.

5. **The sales figures of medical thenardite published by the Company were not reasonable in terms of the PRC market**

The Glaucus Report alleged that according to the investigation performed by Glaucus, medical thenardite is mainly used as a mild laxative, and that the demand for mild laxative in the PRC market is far less than the production capacity, 300,000 tpa, of medical thenardite of the Group and the sales figures published by the Company between 2010 and 2012. Moreover, the Glaucus Report also quoted one report and one article published online, namely a feasibility report (the "Feasibility Report") issued in September 2011 in relation to a 5,000 tpa medical thenardite investment project of Nafine Chemical Industry Group Co., Ltd. ("Nafine Chemical") as well as an article entitled "Analysis of Trends of China's Yuan Ming Powder" (中國元明粉形勢分析) (the "Article") published in a magazine called Inorganic Chemicals Industry (無機鹽工業雜誌) in May 2007. Both the Feasibility Report and the Article pointed out that total demand for medical thenardite in the PRC in 2011 was only 50,000 tonnes.

The Company wishes to state and clarify that:

(a) Apart from serving as a mild laxative, medical thenardite can detoxify and reduce inflammation. It is widely used in the Chinese and western medicines, veterinary drugs, healthcare products, food and cosmetic products of all sorts. Currently, the Group's medical thenardite is classified into two types, namely, raw-form medicines and clinical medicines. Recently, the Group has successfully developed and distributed Xuan Ming powder and medical thenardite for clinical purposes. In terms of applications, mild laxative only accounts for a small percentage of the Group's total sales of medical thenardite, instead of being the major application of medical thenardite as claimed by the Glaucus Report. Therefore, Glaucus has insufficient understanding of the basic products sold by the Group and the operating conditions of the Group.

(b) As actual sales and application of medical thenardite produced by the Group has expanded beyond its scope in medical applications, it has become a widely applied medicine as an ingredient or an additive of health care products, food, cosmetics and veterinary drugs. Since there has been no quality standard for health care product-grade thenardite, food-grade thenardite, cosmetics-grade thenardite and veterinary-drug-grade thenardite over a long period of time, medical thenardite being the highest grade of thenardite is selected as the best substitute. Medical thenardite can also serve as raw materials of industrial products, including chemical agents, automotive ice bags, and back cushions. Quasi medical thenardite enjoys a wide range of applications and a high volume of consumption.

(c) Based on the sales volume of medical thenardite of the Group in 2012 classified by application types below, nearly all medical thenardite produced by the Group were sold and used as different types of raw materials.

Application of Medical Thenardite	**Sales volume** *(Tonnes)*	**Percentage** *(%)*
Traditional Chinese Medicine Producers (raw form)	84,527	32.7
Western Medicine Producers (raw form)	4,625	1.8
Traditional Chinese Pharmacies (raw form)	58,029	22.4
Health Care Products Producers (raw form)	31,543	12.2
Veterinary Medicine Producers (raw form)	40,670	15.8
Food Producers (raw form)	10,060	3.9
Cosmetics Products Producers (raw form)	8,765	3.4
Others (industrial raw form)	11,305	4.4
Medicines for Clinic Treatment	8,540	3.3
Xuan Ming Powder	139	0.1
Total	258,203	100.0

(d) Based on the table above, the Company states that it is wrong for Glaucus to deduce the total national demand of medical thenardite from what it stated in the Glaucus Report that approximately 50,000 tonnes of medical thenardite were annually required for the treatment of constipation (a single medical condition).

(e) In addition, according to the Feasibility Report and the Article quoted by the Glaucus Report, the demand for medical thenardite in the PRC was only 50,000 tonnes in 2011. First of all, after a careful study on the Feasibility Report and the Article, the Company discovered that the Feasibility Report failed to specify the names and sources of research institution, nor did it provide the bases for arriving at the aforesaid conclusion. The Article is the same. Moreover, the Article was published in 2007. In view of the high growth in the thenardite market, the Company believes that the Article does not give a fair view of the current market conditions. According to the information currently available, so far, there is no other company that possesses both national approval for production of thenardite medicines and production lines for medical thenardite. As disclosed in the prospectus of the Company dated 4 June 2009 and the research report dated 4 June 2009 published by Behre Dolbear & Company (USA), Inc. ("Behre Dolbear"), an independent market research consultant of the Company, Behre Dolbear believes that the current consumption volume for medicines and edible thenardite in the PRC ranges from 110,000 tpa to 140,000 tpa. According to Behre Dolbear, certain reports point out that the consumption volume of medical thenardite in 2014 is expected to amount to 400,000 tonnes. The Group believes that Behre Dolbear is a well-known independent market research consultant. Therefore, it will have a higher level of credibility in its reports, and demonstrate a higher level of professionalism as well as a more in-depth understanding of the market.

6. The consideration of the Group's acquisition of minority interest in Sichuan Chuanmei Mirabilite in 2009 was overpriced and unreasonable

The Glaucus Report alleged that the consideration used to pay for the Group's acquisition of the remaining 10% interest in Sichuan Chuanmei Mirabilite from Sichuan First Silk Printing & Dyeing Co., Ltd. (四川省德陽富斯特新合纖有限公司) ("Sichuan First") in 2009 was overpriced (the "Acquisition"). The Glaucus Report also alledged that Sichuan First used RMB 8.2 million in June 2005 to purchase 10% equity interest, and that if compared with the consideration of approximately RMB264 million (the "Consideration") at which Sichuan First disposed of the relevant interest to the Group in June 2009, the premium was 31 times which was not reasonable.

The Company wishes to state and clarify that:

(a) As disclosed in the circular of the Company issued to the shareholders on 22 September 2009, Sichuan First was an independent third party, which other than being related to the Company by virtue of the 10% equity interest in Sichuan Chuanmei Mirabilte did not have any relationship with the Company. The consideration was arrived at under the principle of fairness after taking into account the historical profits and future performance of operations as well as the increased economic benefits to the Group after the Acquisition, including but not limited to (i) the potential economic benefit that will flow to the Group, given the fact that Sichuan Chuanmei Mirabilite is the only approved and certified producer of medical thenardite, that the demand for medical thenardite grew year over year in the PRC, and that the expansion of Muma Mine's production facility would increase production capacity to 200,000 tpa; (ii) the price of medical thenardite increased notably. The Company wishes to point out that after the melamine incident in the PRC in 2008, the PRC government and the citizens attached high importance to the safety of medication and the production of medication that is compliant with relevant rules and regulations. The price and sales volume of medical thenardite between 2007 and 2009 increased noticeably from approximately RMB1,900 per tonne in 2007 to approximately RMB2,500 per tonne in 2009. The Group's sales volume of thenardite increased from 75,000 tonnes to 130,000 tonnes in 2009: and (iii) in respect of the effective period of the mining rights, the mining rights of the Dahongshan mining district under Sichuan Chuanmei Mirabilite were granted in April 2005 for a term of 3.5 years which were extended for another 30 years in September 2008. In consideration of the above factors, the Directors are of the view that the terms of the acquisition are fair and reasonable and in the interest of the Company and the shareholders as a whole.

(b) At the time, as the Acquisition constitutes a non-exempt connected transaction, the Company complied with Chapter 14A of the Rules (the "Listing Rules") Governing the Listing of Shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in notifying the Stock Exchange, issuing the announcement and circular that was sent to the shareholders as well as obtaining approval from the independent shareholders. The committee of the independent directors of the Company appointed an independent financial advisor which was of the opinion that the terms were fair and reasonable to the independent shareholders and were in the interest of the Company and the shareholders as a whole.

7. **The Group's profit margin was far higher than that of other PPS and thenardite competitors which was unreasonable**

The Glaucus Report alleged that between 2008 and 2012, the earnings before interest and tax ("EBIT") margin of Nafin Chemical and two Japanese PPS producers were only 3% to 10% on average. However, the Group's EBIT margin was between 50% and 65%. Thus, this was unreasonable.

The Company wishes to state and clarify the following:

(a) As for the thenardite segment, the Glaucus Report tried to compare the EBIT margin of Nafin Chemical with that of the Group. As shown on page 14 of the annual report of Nafin Chemical for 2012 (http://disclosure.szse.cn/m/finalpage/2013–04–18/62376944.PDF), the total turnover from its Yuan Ming powder (being powder thenardite) was approximately RMB560 million, representing only approximately 22.9% of the total turnover of approximately RMB2.57 billion recorded by Nafin Chemical in 2012. Nafin Chemical derived turnover of approximately RMB237 million, RMB1.451 billion and RMB220 million, respectively from its sodium sulfide, household chemicals and others. However, the thenardite segment of the Group serves to produce medical thenardite, speciality thenardite and powder thenardite (Yuan Ming powder), representing a sales revenue of approximately RMB870 million, 650 million and RMB53 million, respectively. As Nafin Chemical's product mix and scale of production are completely different than that of the Group, a comparison in terms of the EBIT margin between the two companies is not meaningful.

The Group is the only enterprise producer in the PRC that possesses the GMP certificate and the National Pharmaceutical Production Permit. The Group also possesses the only modern medical thenardite production line in the PRC that produces medical thenardite exclusively (selling price from 2009 to 2012: RMB2,500 to RMB2,600 per tonne). In terms of medical thenardite, the Company has no competitors in the PRC. Meanwhile, the Company, being a specialised thenardite producer with a long history, utilizes our accumulated professional and technical expertise for customized production of speciality thenardite (selling price from 2009 to 2012: RMB450 to RMB900 per tonne). The Group possesses one of the largest specialty thenardite production lines in the world. As such, the prices are much higher than that of other powder thenardite (selling price from 2009 to 2012: RMB200 to RMB300 per tonne). When compared to that of other thenardite producers who produce common chemical products, our profit margin is also inevitably higher. Therefore, the higher gross profit margin of the Company's products is a unique feature specific to our products.

The Group's thenardite business also comprises the sale of powder thenardite. As disclosed by the investors introduction video on the website of the Company, the Group's gross profit margin of powder thenardite ranged from 14% to 30% between 2009 and 2012. On the other hand, Nafin Chemical massively produces downstream thenardite products other than specialty thenardite and medical thenardite. In addition, as shown on page 14 of the annual report of Nafin Chemical for 2012, the gross profit margin of its Yuan Ming powder products was

27.4%, compared to 25%, 14%, 30% and -3% for the Company's powder thenardite in 2009, 2010, 2011 and 2012, respectively. This shows that both powder thenardite of the Company and Yuan Ming powder (being powder thenardite) of Nafin Chemical are products with a low gross profit margin. However, the Group was engaged in the production of medical thenardite and specialty thenardite, both with a high gross profit margin. As disclosed in the 2012 annual report of the Company, sales of our medical thenardite and specialty thenardite were approximately RMB870 million and RMB650 million, respectively. In 2012, the gross profit margin of medical thenardite and speciality thenardite was 69.9% and 59.4%, respectively. Out of the total sales of thenardite business of approximately RMB1.57 billion, sales of medical thenardite and specialty thenardite amount to 96.8% which exceeds that of powder thenardite substantially, thus the gross profit margin and EBIT margin of the thenardite business of the Group were higher than that of its powder thenardite business.

As disclosed in the prospectus of the Company dated 4 June 2009, the decrease in transportation cost of the thenardite business of the Group from 2007 onward was due to the decrease in sales in export and the sharp increase in sales in relation to customers who pick up goods from the Company's warehouses. Up to 2012, the Group has not yet significantly changed this policy in relation to the cost of transportation of its thenardite business. As such, the Group is able to maintain a low transportation cost for its thenardite business. In 2006, 2007, 2008, 2009, 2010, 2011 and 2012, the thenardite business of the Group incurred a transportation cost of approximately RMB23.0 million, RMB6.0 million, RMB10.1 million, RMB5.6 million, RMB9.0 million, RMB8.5 million and RMB6.1 million, respectively.

(b) In respect of the PPS segment, the Company is the only commercialized PPS production enterprise in the PRC and it also has the highest production capacity in producing PPS in the world, and possesses complete proprietary intellectual property rights and know-how. The Company can produce a wide range of film-grade, fibre-grade, injection-moulding-grade, paint-grade resins and compounds, fibres and other related products. The Company sells three products, such as PPS resin (selling price from 2011 to 2012: RMB60,000 to RMB70,000 per tonne), PPS compounds (selling price from 2011 to 2012: RMB65,000 to RMB75,000 per tonne) and PPS fibre (selling price from 2011 to 2012: RMB85,000 to RMB92,000 per tonne). Moreover, the product mix of the Group is advanced.

The Company specialises in PPS production with numerous patented technologies. The main production materials of PPS comprises sodium sulfide, p-dichlorobenzene, solvents and catalysts. As the consumption of sodium sulfide and p-dichlorobenzene that are used to produce PPS compounds is one-off, the key to the cost of the raw materials is the consumption rate of solvents and catalysts which are high in prices. The Company utilizes technologies developed internally to recover solvents and catalysts efficiently and recycles them during production. This has enabled the Company to lower production costs. In 2012, the Group's total purchase amount of sodium sulfide, pdichlorobenzene, solvents and catalysts are approximately RMB113 million, RMB464 million, RMB17 million and RMB71 million respectively (2011: approximately RMB99 million, RMB368 million, RMB18 million and RMB54 million). In addition, in comparison with the United States of America and Japan, labour cost in the PRC is much lower. In 2011 and 2012, the Group's direct labour cost for production are approximately RMB15 million and RMB20 million, respectively. As most of the products of the Company are sold within the PRC and all transportation costs are borne solely by the customers which is an advantage over the imported products sold by our competitors. The PPS business of the Group was purchased on 14 January 2011. In 2011 and 2012, the PPS business of the Group incurred a transportation cost of approximately RMB3.7 million and approximately RMB3.3 million, respectively. The tariff of the PPS business of the Group paid by the Group in each of 2011 and 2012 was less than RMB1 million. Meanwhile, technological entry barrier of PPS products is increasingly higher. According to the latest market survey report released by IHS Global, Inc. (its predecessor was SRI Consulting), an independent institute, the domestic demand for PPS in the next five years will continue to grow at an average annual growth rate of 13%, thus driving a higher price level for PPS products. Therefore, it is expected that the PPS business of the Company would record a slightly higher EBIT margin. Details of the competitive advantage of the Group's PPS segment are set out on pages 71 to 75 of the circular of the Company issued on 14 December 2010 in relation to the very substantial and connected transaction.

In conclusion, the doubts casted over the Company's EBIT margin is a result of having an incomplete understanding of the Group's products and businesses as well as the actual market conditions in the PRC. It is both realistic and reliable that the Group enjoys a higher EBIT margin.

8. Valuation

The Glaucus Report alleged that as the Group possesses significant outstanding obligations and the convertible bonds will be due soon, the Company must restructure its debts or issue a significant number of new Shares to repay its obligations when they become due. The Glaucus Report is of the view that based on the above allegations against the Group that the offshore creditors will have difficulties in collecting the outstanding obligations, and takes a dim view of the value of our Shares.

The Company wishes to state and clarify the following:

(a) As each of the allegations in the Glaucus Report has been refuted, rebutted and/or clarified by our explanations and clarifications above, the Company has elaborated and explained that the Group has never exaggerated or fabricated any of its issued operating or financial information. The shareholders and potential investors should rely on the information published by the Company on the website of the Company and the Stock Exchange including the annual reports and the interim reports.

(b) As disclosed in the 2013 interim report issued on 12 September 2013, the Group's financial condition is stable and healthy as of 30 June 2013. The Company expects that it will be able to repay all its debts at maturity.

(c) Set out below are cash and bank balances, borrowings, convertible bonds, other payables and tax payable of the Group for the year ended 31 December 2013:

	RMB'000 (unaudited)
Cash and bank balances	5,399,485
Due within one year	
Trade and other payables	941,711
Borrowings	1,929,791
Convertible bonds	1,008,750
Tax payable	124,117
Total	**4,004,369**
Due within two to ten years	
Borrowings	3,727,903

As shown above, not only cash and bank balances of the Group for the year ended 31 December 2013 are sufficient to finance the general working capital, they are also sufficient to finance all of the short-term liabilities.

In conclusion, the assumptions made in the Glaucus Report and taking quite a dim view of the value of our Shares lack the appropriate analysis and basis they deserve.

CONCLUSION

The Company believes that the allegations made in the Glaucus Report are without merit and not supported by evidence.

The board of Directors (the "Board") and the management of the Company have considered Glaucus' allegations made in the Glaucus Report, and have unanimously agreed that the allegations are wrong and inappropriate.

Based on the clarifications stated above, the Board is of the opinion that the allegations and comments in the Glaucus Report were made without due consideration for the underlying facts, which are inappropriate and misleading to the Company's shareholders and potential investors.

Save as stated in this announcements, having made such reasonable enquiry, the Company confirms that it is not aware of any information which must be announced to avoid a false market in the Company's securities or of any inside information that needs to be disclosed under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

This announcement is made by order of the Company. The Board collectively and individually accepts responsibility for the accuracy of this announcement.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the Shares of the Company.

The Company will consider and adopt all reasonable measures to protect the interest of the shareholders of the Company. Currently, the Company is seeking legal advice from its legal advisers and reserves its rights to take legal actions against Glaucus.

EMERSON REPORT

The Company noted that Emerson Analytics Co., Ltd. ("Emerson Analytics") issued a research report (the "Emerson Report") on 1 April 2014. The Emerson Report contains certain allegations and comments on the Group which are not based on any facts or they are misrepresentations. Moreover, Emerson has never liaised with the Company to verify any data or information stated in the Emerson Report. Another clarification announcement (the "Second Clarification Announcement") will be issued by the Company to refute these allegations or comments concerning the Group in the Emerson Report as soon as possible.

SUSPENSION OF TRADING

Trading in the Shares on the Stock Exchange has been suspended from 10:56 a.m. on Tuesday, 25 March 2014 pending the release of this announcement.

The Company subsequently announced on 28 March 2014 that the release of the annual results for the year ended 2013 (the "2013 Annual Results Announcement") will be postponed to a later date to be fixed by the Board as the Auditor will require additional time to finalise the audited accounts of the Group for the year ended 31 December 2013.

Trading in the Shares on the Stock Exchange will continue to be suspended pending the release of the Second Clarification Announcement and the 2013 Annual Results Announcement.

By Order of the Board
Zhang Zhigang
Chairman and Executive Director

3 April 2014

As at the date of this announcement, the Board comprises seven Directors, of which Mr. Zhang Zhigang, Mr. Zhang Daming, Mr. Gou Xingwu and Mr. Tan Jianyong are executive Directors, Mr. Koh Tiong Lu, John, Mr. Wong Chun Keung and Mr. Xia Lichuan are independent non-executive Directors.