In addition to other information in this prospectus, you should carefully consider the following risk factors before making any investment decision in relation to the Offer Shares. If any of the possible events described below occur, our business, prospects, financial condition and results of operations could be materially and adversely affected and the market price of the Offer Shares could decline. See "Definitions" and "Glossary of Technical Terms" for specific or specialized vocabulary used in this section.

Risks Relating to our Business and our Industry

We are experiencing a period of rapid growth and may not be able to manage our growth effectively.

We are experiencing a period of rapid growth and expansion that has placed, and continues to place, significant demands on our management personnel, systems and resources. We have increased our thenardite mining and production capacity by 1.0 million tpa and we plan to complete construction of and commence commercial production at a 0.2 million tpa production facility of medical thenardite in the Muma Mining Area by the end of 2009 and a 1.0 million tpa mining and production facility of powder and specialty thenardite in the Muma Mining Area in the third quarter of 2010. To accommodate this growth, we anticipate that we will need to implement a variety of new and upgraded operational and financial systems, procedures and controls, including the improvement of our accounting and other internal management systems, all of which require substantial management effort and significant additional expenditures. As we have a limited history operating on such a large scale, we may not have sufficient experience to address the risks frequently encountered by companies that attempt to realize a large increase in capacity in a short time, including our potential failure to:

- effectively manage large scale production;
- attract, train, motivate and retain qualified personnel;
- manage the logistics, utility and supply needs of our expanded operations; or
- maintain adequate control over our expenses.

We cannot assure you that we will be able to manage our growth effectively, and failure to do so may have a material adverse effect on our business, prospects, financial condition and results of operations.

Our business operations depend on the policies and regulations of the PRC government.

We are subject to extensive national, provincial and local governmental laws, regulations, policies and controls. The liabilities, costs, obligations and requirements associated with these laws and regulations may be material and may delay the commencement of, or cause interruptions to, certain parts of our operations. Failure to comply with the relevant laws and regulations in our mining and production operations may result in the suspension of our operations. There can be no assurance that the relevant government agencies will not change such laws or regulations or impose additional or more stringent laws or regulations. Compliance with laws or regulations may require us to incur material capital expenditures or other obligations or liabilities that may have a material adverse effect on our business, prospects, financial condition and results of operations. Specific governmental policies and regulations that have a material effect on our operations include:

Glauberite exploration and mining rights. On September 12, 2008, we obtained the mining rights in the Guangji and Muma Mining Areas and renewed mining rights in the Dahongshan Mining Area. Our current mining rights with respect to the Dahongshan, Guangji and Muma Mining Areas all extend to 2038. However, once such rights expire we may not be able to renew our mining rights on favorable terms, or at all. Accordingly, if we are unable to renew such rights, we may not be able to continue our operations at such mines and our financial condition and results of operations will be materially and adversely affected. In addition, we cannot assure you that we will be successful in procuring the necessary exploration rights, that any initial exploration work will reveal a deposit worthy of development, or that we will be successful in procuring the necessary mining right permit in connection with any future acquisition or expansion. Failure to procure exploration or exploitation and mining rights may have a material adverse effect on our business, prospects, financial condition and results of operations. See "Business — Government Regulations".

Mining safety regulations. We cannot predict the timing or the outcome of safety inspections. In addition, recent significant mining accidents in China have prompted the PRC government to strengthen safety regulations, and future accidents may result in more stringent regulations. As a result, we may be required to devote substantial financial and other resources to comply with these regulations. If we fail to comply with the relevant safety laws and regulations or fail to pass safety inspections, we may be required to pay penalties or fines or take remedial actions, any of which may result in adverse publicity and potentially significant monetary damages that may have a material adverse effect on our business, prospects, financial condition and results of operations or cause us to suspend operations or cease operations entirely.

Environmental regulations. We may use, generate and discharge toxic, volatile and otherwise hazardous chemicals and wastes in our research and development and production processes and are subject to and required to comply with all PRC national and local environmental protection laws and regulations. Environmental protection laws and regulations impose fees for the discharge of waste substances, require the establishment of reserves for reclamation and rehabilitation and impose fines for serious environmental offences. We are required to obtain various permits, including permits for pollution discharge, in connection with our mining or production processes. We are also required to file with the relevant government authorities for the storage and use of hazardous chemicals. There can be no assurance that we will be able to renew such permits upon expiry or to obtain the relevant government approval for the storage and use of the hazardous chemicals when required. The PRC government may shut down any facility that fails to correct or cease operations that raise environmental concerns. In addition, if more stringent regulations are adopted in the future, we cannot assure you that we will be able to fully comply with such regulations and the costs of compliance with these new regulations may be substantial. If we fail to comply with existing or future environmental laws and regulations, we may be required to pay penalties or fines or take remedial actions, any of which may result in adverse publicity and potentially significant monetary damages that may have a material adverse effect on our business, operations, financial condition, prospects and results of operations or cause us to suspend operations or cease operations entirely.

We do not have land use rights for certain parcels of land above our two mines and may not be able to continue to access the primary access tunnels into our mines and our use of certain facilities built on those parcels.

We do not have land use rights for certain parcels of land where our Dahongshan Mine and Guangji Mine are located and currently lease these parcels, totalling 700,003.5 m^2, from the Wansheng Town Government and the Dongpo District Government, respectively. We have built certain facilities including 15 buildings with an aggregate floor area of approximately 4,899.85 m^2 on these leased parcels. We do not have building ownership certificates and construction project completion approvals to these 15 buildings because we do not have the land use rights for the underlying land. Part of the leased land includes the roads leading to the primary access tunnels into our mines. There can be no assurance that our access will not be hindered or encumbered as we do not have the land use rights over the roads leading to our primary access tunnels. These tunnels cannot be easily relocated without significant disruption to our mining operations. Under the relevant PRC laws, the mining rights for an underground mine and the land use rights for the land where the mine is located are granted separately. Our underground mining activities are unaffected by our lack of valid land use rights for the land directly above our mining reserves and our use of the 865.9 m^2 of land adjacent to the primary access tunnels to our underground mines is in compliance with PRC laws. In addition, none of our thenardite production and processing facilities are located on the collectively-owned land. See "Business — Property". Only state-owned land can be granted or leased for industrial use, including open-pit or surface mining operations. The leased parcels where the Dahongshan Mine and Guangji Mine are located are collectively-owned land rather than state-owned land and therefore cannot be used or leased for our aboveground industrial operations under PRC laws. As a result, our lease agreements with the Wansheng Town Government and the Dongpo District Government and our use of these leased parcels and facilities located on such parcels are not in compliance with the relevant PRC laws and we may be subject to monetary fines, governmental, third party or other actions and may be forced to stop operating on such property. If we are no longer able to access the primary access tunnels to our mines, or if we no longer have access to these leased parcels, our mining operations will be severely disrupted and our financial condition and results of operations will be materially and adversely affected. See "Business — Property".

We have limited cash resources and are dependent on future cash flows generated from our business and obtaining additional financing to support our business operations, expand our production capacity and to continue as a going concern.

We have cash requirements both for ongoing operating expenses, working capital, general corporate purposes and for interest and principal payments on our outstanding indebtedness. As of December 31, 2008, we had cash and cash equivalents of RMB0.8 million and our current liabilities exceeded our current assets by RMB354.9 million. As of December 31, 2008 we had net cash generated from operating activities of RMB751.5 million and net cash used in investing activities of RMB799.9 million and net cash used in financing activities of RMB21.9 million. Net cash generated from operating activities in the year ended December 31, 2008 was primarily due to operating profit before working capital changes of RMB775.2 million plus working capital changes of RMB123.9 million. The net cash used in investing activities in the year ended December 31, 2008 was primarily due to payment for the acquisition of mining rights, deposits paid for the acquisition of property, plant and equipment, the payment of the purchase of land use rights and purchases of property, plant and equipment, all of which were associated with the development of our production facilities in the Guangji Mining Area. We had a net cash outflow of RMB70.3 million in the year ended December 31, 2008. Upon Listing, the remaining outstanding balance of our offshore bank loan owed to the Facility Lenders will be converted into a one-year term loan bearing an effective interest rate of 13.5% per annum repayable in full at maturity. There can be no assurance we will have sufficient funds to repay this loan at maturity. See "History, Reorganization and Corporate Structure — Facility Arrangements — Amendment upon Listing". If we are unable to generate sufficient revenue and cash from our operations or secure additional financing to meet our obligations, we may be forced to reduce expenditures or not be able to continue as a going concern. Reduction of expenditures could have a negative impact on our business and would make it more difficult for us to execute our strategy, including our expansion plans in accordance with our expectations.

In addition, our financial statements included in this prospectus have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Our ability to continue as a going concern is substantially dependent on projections of our profits and cash flow from operations and our ability to obtain continued bank financing to meet our working capital and financing requirements. If there is an adverse change to such projections or our ability to obtain additional financing, our financial statements may need to be prepared on an alternative authoritative basis and adjustments relating to the recoverability and classification of recorded asset amounts or the classification of liabilities may need to be made. Furthermore, future reports issued by our auditors could include a "going concern qualification", which could have a negative impact on our ability to obtain financing and may adversely impact our stock price.

We have experienced negative cash flow from our operating activities and there can be no assurance that we will not experience negative cash flow in the future.

Our net cash (used in)/generated from operating activities amounted to RMB(10.1) million, RMB147.9 million and RMB751.5 million in the years ended December 31, 2006, 2007 and 2008, respectively. Our negative cash flow from operations in the year ended December 31, 2006 was primarily due to an increase in trade and other receivables, deposits and prepayments of RMB84.6 million, which was primarily due to increases in amount due from Mr. Suolang Duoji of RMB45.7 million and deposits and prepayments of RMB18.3 million. The entire amount of RMB45.7 million due from Mr. Suolang Duoji was settled in full in 2008. Deposits and prepayments increased primarily as a result of a payment of RMB14.0 million on behalf of our employees in connection with the construction of staff quarters, which was recovered in full in 2008, and an increase in prepayments for transportation expenses and factory utilities as a result of our increased production volumes. There can be no assurance that we will not face negative cash flow in the future, which could negatively affect our liquidity and may materially and adversely affect our businesses, prospects, financial condition and results of operations.

We intend to use outstanding bank borrowings, but we may not be able to comply with the covenants under these borrowings or secure sufficient payment or refinancing when they mature.

As of December 31, 2008, we had RMB0.8 million in cash and cash equivalents and RMB682.6 million in outstanding bank borrowings of which approximately RMB258.9 million was due within one year. We cannot assure you that we will be able to obtain extensions of these credit facilities in the future as they mature. In the event we are unable to obtain extensions of these facilities, or if we are unable to obtain sufficient alternative funding at reasonable terms, we will have to repay these borrowings with cash generated by our operating activities. We cannot assure you that our business will generate sufficient cash flow from operations to repay these borrowings. In addition, repaying these borrowings with cash generated by our operating activities will divert our financial resources from the requirements of our ongoing operations and growth, and may have a material adverse effect on our business, prospects, financial condition and results of operations. Furthermore, we are subject to interest rate fluctuations on our financial indebtedness which may adversely impact our cash flow if prevailing interest rate increases. See “Financial Information — Market Risks — Interest rates”.

We financed our recent expansion of our mining operations and production facilities with the proceeds received under the Facility Arrangements and onshore bank borrowings. The Facility Arrangements were originally entered into to finance the acquisition of several mines and existing production facilities in our Guangji and Muma Mining Areas. In October 2007, we approached the Facility Lenders and revised our use of proceeds for the loan so that we could construct our 1.0 million tpa production facility in the Guangji Mining Area instead of acquiring existing production facilities. As a result of this change, the revenue stream we anticipated when entering into the Facility Arrangements did not materialize until November 2007, resulting in our breach of both the consolidated total debt to consolidated EBITDA ratio and consolidated total debt to total capitalization ratio as at June 30, 2007 and September 30, 2007. We were able to obtain waivers from the relevant lenders on October 9, 2007 and May 9, 2008, respectively, for such covenant breaches. See “Financial Information — Indebtedness — Bank borrowings” and “History, Reorganization and Corporate Structure — Facility Arrangements”. Without obtaining such waivers or timely remedy of such breaches, the relevant lenders may accelerate the amounts due under those loans. Any acceleration of indebtedness may cause defaults and cross defaults under our current and future financing and as well as significant reductions in our liquidity and may have a material adverse effect on our business, prospects, financial condition and results of operations. After the Listing, our loan facility under the Facility Arrangements will still be secured by our offshore bank accounts. We may lose our ability to access such accounts if we default on such facilities and the lenders elect to enforce such security. We have also entered into short term loan agreements with various onshore banks, under which we pledged our mining rights for the Dahongshan Mining Area, certain land use rights, buildings, mining structures, machinery and equipment of our onshore subsidiaries as security. We may lose part or all of these pledged property and assets if we cannot repay the onshore loans when they mature, which may materially and adversely affect our business, prospects, financial condition and results of operations.

We need additional capital to fund our operations and growth which we may not be able to obtain on acceptable terms, or at all.

We need capital to fund capital expenditure associated with our new production facilities and the acquisition of additional mining rights in the future. Cash generated from the Global Offering is insufficient to fully fund our expansion strategy. As of March 31, 2009, we have expended RMB546.9 million in connection with the production facilities in the Muma Mining Area. We anticipate we will need RMB505.6 million to further finance our expansion plan in the Muma Mining Area. The expansion in the Muma Mining Area will be financed with the proceeds from the Global Offering and by our operating cash flow and internal cash resources. There can be no assurance that we will generate sufficient cash flow for our intended expansion plans. In the event we do not have such operating cash flow, we will need to obtain alternative financing.

There is no assurance that we will be able to obtain adequate financing on acceptable terms, or at all. Our ability to obtain additional capital on acceptable terms will be subject to a variety of uncertainties, including:

- investor perceptions of and appetite for securities of companies engaged in the mining and production of thenardite;
- conditions in the capital and financial markets in which we may seek to raise funds;
- our future results of operations, financial condition and cash flows;
- Chinese governmental regulation of foreign investment in companies engaged in the thenardite mining and production;
- economic, political and other conditions in China and the rest of the world;
- the amount of capital that other Chinese entities may seek to raise in the foreign capital markets; and
- Chinese governmental policies relating to foreign currency borrowings.

We may be required to scale back our planned capital expenditures, which may adversely affect our ability to achieve economies of scale and implement our planned growth strategy. Upon Listing, the remaining outstanding balance of our offshore bank loan owed to the Facility Lenders will be converted into a one-year term loan bearing an interest rate of 13.5% per annum repayable in full at maturity. In addition, this loan will restrict us from incurring any additional offshore borrowing and limit our onshore borrowings to no more than RMB500.0 million at any time outstanding. See “History, Reorganization and Corporate Structure — Facility Arrangements — Amendment upon Listing”. The terms of any future debt facilities may also impose restrictive covenants that may restrict our business and operations. In the event that we breach any of these covenants, we may not be able to obtain waivers from our lenders. Our inability to raise additional funds in a timely manner and on terms favorable to us, or at all, may have a material adverse effect on our business, prospects, financial condition and results of operations.

Demand for specialty thenardite may not develop as expected or at all.

We focused on the production of powder and medical thenardite prior to the Track Record Period. We commenced production of specialty thenardite in November 2007. For the years ended December 31, 2007 and 2008, 20.6% and 69.6%, respectively, of our sales revenue were generated from specialty thenardite. For the years ended December 31, 2007 and 2008, specialty thenardite had a gross profit margin of 81.9% and 77.8%, respectively, compared to the gross profit margin of 32.0% and 28.2%, respectively, for powder thenardite. A decrease in the demand for specialty thenardite would reduce our profits and profit margins. We cannot assure you that the gross profit margin on our specialty thenardite will be maintained or will not decline or that the market for such products will grow as expected, or at all. We cannot assure you that we will be able to maintain or grow our customer base to utilize our increased production capacity. If the demand for specialty thenardite decreases or if we are unable to expand our customer base to utilize our production capacity, our business, prospects, financial condition and results of operations may be materially and adversely affected. See "— We may be adversely affected by the recent economic crisis in the world".

We may not be able to continue our production of medical thenardite or maintain our current competitive position in the sales of medical thenardite, and we may not be able to obtain a GMP Certification and Pharmaceutical Production Permit for our intended 0.2 million tpa medical thenardite production facility in the Muma Mining Area.

Our Dahongshan production facility currently holds the GMP Certification and the Pharmaceutical Production Permit, both of which are required under the PRC laws for the production of medical thenardite. Our GMP Certification and Pharmaceutical Production Permit will expire in September 2009 and December 2010, respectively, and there can be no assurance that we will be able to renew them upon their expiration. See "Business — Quality Control". Since our continued production and sale of medical thenardite, which accounted for 39.2% and 16.9% of our revenue for the year ended December 31, 2007 and 2008, respectively, are dependent on the GMP Certificate and the Pharmaceutical Production Permit, if we are unable to renew either of them on time or at all, our business, prospects, financial condition and results of operations may be materially and adversely affected.

We do not have a GMP Certification and Pharmaceutical Production Permit for our intended 0.2 million tpa production facility of medical thenardite in the Muma Mining Area. There can be no assurance that we will get such certification or permit for the Muma Mining Area on time or at all. Failure to obtain such certification or permit would delay the commencement of production of medical thenardite at such facility which would have a material adverse effect on our business, prospects, financial condition and results of operations.

In addition, other producers in China may obtain the GMP Certification and Pharmaceutical Production Permit required for the production of medical thenardite. Any competition from any licensed producer for medical thenardite may have a material adverse effect on our business, prospects, financial condition and results of operations.

We may not manufacture our products cost-effectively.

A number of factors, many of which are beyond our control, may cause delays and cost overruns, which may negatively affect our profitability. These factors include manufacturing difficulties, supply disruptions and defects in raw materials or equipment. If we are unable to streamline and adjust our production facilities to increase efficiency or if we face technological difficulties in our production processes, we may be unable to achieve cost-effective production of our products which may have a material adverse effect on our business, prospects, financial condition and results of operations.

In addition, our profit margins are significantly influenced by our ability to maintain high production yields and capacity utilization. We expect to continue to incur substantial depreciation and other expenses in connection with the expansion of our production facilities. Given the high fixed costs of our business, our profitability depends on both the absolute pricing levels for our products and on capacity utilization rates for our production facilities. During the Track Record Period, we maintained a high level of utilization at our production facility in the Dahongshan Mining Area. We only commenced commercial production at our production facility in the Guangji Mining Area on November 1, 2008. During our ramp-up period at the Guangji Mining Area production facility our utilization rates were low. For details of our production capacity and volume during the Track Record Period, see "Financial Information — Factors Affecting Results of Operations and Financial

Condition — Increased Production Capacity". We cannot assure you that we will be able to maintain the utilization rates to provide for cost effective production in the future. In extended periods of low demand, we may experience relatively low capacity utilization rates in our operations which may have a material adverse effect on our business, prospects, financial condition and results of operations.

Our business depends on the demand for and price of thenardite.

We currently derive and expect to derive substantially all of our revenues from thenardite sales in the near future. Our business is dependent on the demand and price of thenardite which are beyond our control. According to Behre Dolbear, demand for thenardite over the past ten years has been relatively constant or declining in certain European and North American countries due to the stabilization or decline of certain thenardite consuming industries such as the powder detergent, kraft paper, textile and glass industries in these regions. Now that there are at least three other producers in China with a production capacity of more than 1.0 million tpa, there is a risk of price-cutting by thenardite producers in China to secure market share, according to Behre Dolbear. See "Industry Overview" and "Business — Sales and Marketing — Pricing". Any negative changes to thenardite demand or price may have a material adverse effect on our business, prospects, financial condition and results of operations.

In addition, our medical thenardite is subject to a price control by the Sichuan Commodity Price Control Bureau (四川省物價局), which set a price ceiling of RMB4,500 per tonne of medical thenardite from June 2005 to June 2010. Many pharmaceutical products with medical thenardite as an ingredient may also be subject to various price controls as set by the relevant governmental authorities. These price controls may be subject to further downward adjustments as the PRC governmental authorities seek to make pharmaceutical products more affordable to the general public. Since the implementation of PRC Pricing Control Law (中華人民共和國價格法) in May 1998, the relevant PRC governmental authorities have ordered price reductions with respect to a number of pharmaceutical products. Any future tightening of price controls or government mandated price reductions relating to medical thenardite or its downstream pharmaceutical products may have a material adverse effect on our business, prospects, financial condition and results of operations.

The accuracy of our resources and reserves estimates is based on a number of assumptions and we may produce less thenardite than our current estimates.

Our resources and reserves estimates are based on a number of assumptions in accordance with the JORC Code. However, we cannot assure you that our resources and reserves will be recovered in the quantities, quality or yields presented in this prospectus.

Ore resources and reserves estimates are inherently prone to variability. They involve expressions of judgment with regard to the presence and grade of mineralization and the ability to extract and process the mineralization economically. These judgments are based on a variety of factors, such as knowledge, experience and industry practice. The accuracy of these estimates may be affected by many factors, including the quality of the results of drilling and sampling of the ore bodies and analysis of the ore samples and the procedures adopted and experience of the person(s) making the estimates.

If we encounter mineralization or geological or mining conditions at our mines different from those predicted by historical drilling, sampling and similar examinations, we may have to adjust our mining plans in a way that may materially and adversely affect our business, prospects, financial condition and results of operations and reduce the estimated amount of ore resources and reserves available for production and expansion plans.

You should not assume that the resources estimated are capable of being directly reclassified as reserves under the JORC Code. The inclusion of resources estimates should not be regarded as a representation that these amounts can be exploited economically. You are cautioned not to place undue reliance on resources and reserves estimates. See “Business — Our Mining Operations and Production Facilities” and “Appendix V — Independent Technical Review Report”.

We may not be successful in future acquisitions or may encounter difficulties in integrating and developing the acquired assets or businesses.

We plan to increase our glauberite reserves through acquisitions of other mining rights and mining assets. In addition to mining rights and mining assets, if we are presented with appropriate opportunities, we may acquire other businesses or assets that are complementary to our business. We do not have specific timetables for these plans and we cannot assure you that we will be successful in these applications or acquisitions. In addition, we must receive various regulatory approvals and/or permits in order to develop our reserves. See “Business — Government Regulations”. Our inability to acquire mining rights or assets, develop glauberite reserves or obtain necessary governmental approvals may have a material adverse effect on our business, prospects, financial condition and results of operations.

Future acquisitions may also expose us to potential risks, including risks associated with the assimilation of new technologies, businesses and personnel, unforeseen or hidden liabilities, the diversion of management attention and resources from our existing business and the inability to generate sufficient revenues to offset the costs and expenses of an acquisition. Any difficulties encountered in the acquisition and integration process may have a material adverse effect on our business, prospects, financial condition and results of operations.

Our major capital projects may not be completed within the expected time frame and within our budget, or at all, and may not achieve the intended economic results.

Our projects currently under development require significant capital expenditures. As of December 31, 2008, we had incurred capital expenditures of RMB824.4 million in connection with our operations and expansion, of which approximately RMB29.0 million was paid in February 2008 in connection with the land use right of the Guangji Mining Area. We estimate that capital expenditures for the construction of a 0.2 million tpa medical thenardite production facility and 1.0 million tpa powder and specialty thenardite production facility in the Muma Mining Area will be RMB406.1 million and RMB646.4 million, respectively. As of March 31, 2009, we have expended RMB546.9 million in connection with the Muma Mining Area. These projects may be delayed or adversely affected by a number of factors beyond our control, including the failure to obtain regulatory approvals and permits or sufficient funding or other resource constraints. Moreover, actual costs for our capital projects may exceed our budgets. As a result of project delays, cost overruns, changes in market circumstances or other factors, we may not be able to achieve the intended economic benefits of these projects, which in turn may materially and adversely affect our business, prospects, financial condition and results of operations.

Our mining and production activities are subject to operational risks and hazards.

Our mining and production operations are subject to a number of operational risks and hazards, some of which are beyond our control, which could delay the production and delivery of our products, increase the cost of mining and production at our production facilities or result in accidents in our mines or production facilities. These risks and hazards include unexpected maintenance or technical problems, periodic interruptions due to inclement or hazardous weather conditions and natural disasters, industrial accidents, leakage of the pipelines that transport mirabilite solution from mining facilities to production facilities, power or fuel supply interruptions, critical equipment failure, malfunction and breakdowns of information management systems, fires, earthquakes, flooding and unusual or unexpected variations in mineralization, geological or mining conditions. These risks and hazards may result in personal injury, damage to or destruction of properties or production facilities, environmental damage, business interruption, possible legal liability, damage to our business reputation and corporate image and, in severe cases, fatalities. We have, since 2002, experienced three accidents at our mines. Two accidents were related to railway car collisions. The third accident involved a roof fall during equipment installation at our mine in the Guangji Mining Area. See “Business — Safety Control — Occupational Health and Safety”. We cannot assure you that accidents will not occur in the future. Such accidents may have a material adverse effect on our reputation, business, prospects, financial condition and results of operations.

In addition, breakdowns of equipment, difficulties or delays in obtaining materials and equipment, natural disasters, terrorist incidents, industrial accidents or other causes could temporarily disrupt or even shut down our operations, which in turn may also materially and adversely affect our business, prospects, financial condition and results of operations.

Due to our location in Sichuan Province, we and a number of our customers are vulnerable to natural disasters and other events outside of our control, which may seriously disrupt our operations.

Our existing mining and production operations, and the operations of a number of our customers are located in Sichuan Province. Certain events such as earthquake, snow storms or other natural disasters may disrupt our mining or production operations or the operations of our customers. This could force our customers to obtain products from other sources. Furthermore, a disruption of operations at our customers’ facilities could lead to reduced demand for our products.

On May 12, 2008, an earthquake with a magnitude of 8.0 on the Richter scale according to the State Seismological Bureau of China hit Sichuan Province, China. As a result, businesses and production operations in the severely affected areas of Sichuan Province at or close to the earthquake epicenter were closed or shut down due to safety concerns. We were approximately 120 kilometers away from the earthquake epicenter. We suffered a total loss of RMB9.2 million primarily as a result of damage to certain inventories, production facilities and equipment, suspension of mining operation for six days and suspension of production operations for less than 2 days at our operational production and mining facilities. There can be no assurance that we may not be directly or indirectly further affected by the after-effects of this earthquake, which in turn may materially and adversely affect our business, prospects, financial condition and results of operations. See “Business — Impact of Recent Earthquake in Sichuan, China”.

Our business and results of operations are vulnerable to increases in energy costs.

We rely heavily on coal to provide heat and power for thenardite production. We expect coal costs to remain our largest raw material expenditure in the future. We purchase our coal pursuant to short-term supply contracts with a term of one year or less at spot market prices with reference to caloric content. Coal prices in China are directly affected by changes in supply and demand in the China market and, to a lesser extent, fluctuations in coal prices in the international market. Our average purchase price per tonne of coal was RMB185, RMB192 and RMB270 in the years ended December 31, 2006, 2007 and 2008, respectively. This resulted in coal costs of RMB40.8 million, RMB56.9 million and RMB157.7 million in the years ended December 31, 2006, 2007 and 2008, respectively. In addition, we also partially rely on the public electricity network for our electricity needs. The average electricity price per kilowatt-hour was RMB0.52, RMB0.54 and RMB0.56 in the years ended December 31, 2006, 2007 and 2008, respectively. This resulted in electricity costs of RMB8.8 million, RMB9.8 million and RMB15.9 million in the years ended December 31, 2006, 2007 and 2008, respectively. See “Financial Information — Description of Selected Income Statement Line Items — Cost of Sales”. Any increase in domestic prices for coal or electricity could materially and adversely affect our business, prospects, financial condition and results of operations.

Many cities and provinces in the PRC have suffered serious power shortages since the second quarter of 2004. Many of the regional grids do not have sufficient power generating capacity to satisfy in full the increased demand for electricity driven by continued economic growth and extreme weather conditions. Many regions in China suffered power outages during the severe snow storms in February 2008, and our mining and production facility in the Guangji Mining Area experienced a power outage that lasted for two days. In the event of power shortage or outage, our business, operation, results of operations and financial conditions could be materially and adversely affected.

Our dependence on a limited number of customers and industries may cause significant fluctuations or declines in our revenues.

Sales to our top five customers by revenue constituted 32.8%, 41.9% and 45.0% of our total revenues for the years ended December 31, 2006, 2007 and 2008, respectively. See “Business — Sales and Marketing”. We anticipate that our dependence on a limited number of customers will continue for the foreseeable future. We cannot assure you that we will be able to retain these customers or that they will maintain current level of business with us. If there is a reduction or cessation of orders from any of these customers for any reason, our business, prospects, financial condition and result of operations will be adversely affected.

We understand that a substantial portion of our products have been supplied to the powder detergent, glass and textile industries. We anticipate sales to these three downstream industries will continue to account for a substantial portion of our thenardite production for the foreseeable future. If a substitute for thenardite is developed or thenardite demand declines in one or more of these downstream industries, our business, prospects, financial condition and results of operations will be materially and adversely affected.

Our products may not meet customer specifications or industry standards.

Our customers require our thenardite products to be of a consistent quality to ensure that the products they produce are of an acceptable quality for their downstream use. There can be no assurance that our thenardite products will meet our customers’ quality requirements or meet industry standards on a consistent basis or at all. Failure to do so may result in possible legal liability, damage to our business reputation, corporate image and client relationship, which may in turn cause a material adverse effect on our business, prospects, financial condition and result of operations.

We operate in a highly competitive environment and we may not be able to sustain our current market position if we fail to compete successfully.

We may experience downward pressure on our prices and profit margins, largely due to additional industry capacity from competitors in China. Some of our competitors may be able to operate more efficiently due to a number of factors and may also have greater access to capital and substantially greater production, intellectual property, marketing and other resources than we do.

The principal competitive factors affecting the thenardite industry include:

- quality and quantity of marketable reserves;
- prices, as affected by a thenardite producer’s ability to reduce costs and maintain an adequate production yield;
- product features and quality;
- customer service and technical expertise;
- available capacity and ability to supply products in line with increased demand in a timely manner; and
- timely introduction of new products.

Our ability to compete successfully in the thenardite industry also depends on factors partially outside of our control, including industry and general economic conditions. We cannot assure you that our strategies will remain competitive or that they will continue to be successful in the future. Increased competition may result in pricing pressure and loss of our market share, either of which may have a material adverse effect on our financial condition and results of operations.

We have limited insurance coverage which may not be sufficient to cover all of our potential losses.

We only have limited insurance coverage. As a result, we may have to pay out of our funds for financial and other losses, damages and liabilities, including those caused by fire, weather, disease, civil strife, industrial strikes, breakdowns of equipment, difficulties or delays in obtaining raw materials and equipment, natural disasters, terrorist incidents, industrial accidents or other causes. We also do not have any business interruption insurance or third party liability insurance other than motor vehicle insurance. Any business disruption or natural disaster may result in substantial costs and diversion of resources. Losses incurred or payments we may be required to make may have a material adverse effect on our business, prospects, financial condition and results of operations to the extent such losses or payments are not insured or the insured amount is not adequate.

Our business depends substantially on the continuing efforts of our executive officers and our ability to attract and retain qualified technical personnel.

Our business depends substantially on the continued services of our executive officers and, to a significant extent, on our ability to attract, train and retain qualified technical personnel, particularly those with expertise in glauberite mining and thenardite production. For example, Mr. Zhang Daming, our chief executive officer, has been working with us since August 2004 and has been critical to our growth and strategic development. We do not carry key person insurance on any of our personnel, and we cannot assure you that we will be able to attract or retain qualified technical personnel. If one or more of our executive officers or key employees were unable or unwilling to continue their service with us, we might not be able to replace them with persons of equivalent expertise and experience within a reasonable period of time or at all. If any of our executive officers or key employees joins a competitor or forms a competing company, we may lose customers, suppliers, know-how and key personnel and staff members. If any dispute arises between such employees and us, we cannot assure you the extent to which any non-competition undertakings of such employees could be enforced in our favor or at all. Our business may be severely disrupted, our financial condition and results of operations may be materially and adversely affected, and we may incur additional expenses to recruit, train and retain personnel. As our business has grown and is expected to continue to grow rapidly, our ability to train and integrate new employees into our operations may not meet the growing demands of our business.

We may fail to protect our intellectual property rights or be exposed to infringement or misappropriation claims by third parties, and litigation involving intellectual property rights may be costly and may not be resolved in our favor.

We regard our proprietary trademark, patent, trade secrets, know-how and other similar intellectual properties as critical to our success. We cannot assure you that infringement of our intellectual property rights by other parties does not exist now or will not occur in the future. We seek to protect our proprietary technologies, trademark, production processes, documentation and other written materials primarily through intellectual property laws and contractual restrictions. We also require employees and consultants with access to our proprietary information to execute confidentiality agreements with us.

In addition, our intellectual property rights may not be adequately protected because:

- other parties may still misappropriate our technologies despite the existence of laws or contracts prohibiting it;

- policing unauthorized use of our intellectual property may be difficult, expensive and time-consuming, and we may be unable to determine the extent of any unauthorized use; and

- enforcement under intellectual property laws in China may be slow and difficult in light of the application of such laws and the uncertainties associated with the PRC legal system. See "— Risks Relating to Conducting Business in China — The interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties in China".

Reverse engineering, unauthorized copying or other misappropriation of our proprietary technologies may enable third parties to benefit from our technologies without paying us for doing so. Any inability to adequately protect our proprietary rights may have a material negative impact on our ability to compete, to generate revenue and to grow our business.

We believe our trademarks are important to our success and competitive position. We have registered our trademarks including "Chuanmei" (川眉) and "Sansu" (三蘇) in the PRC. We are currently unaware of any material violations or infringements of our trademarks. However, there can be no assurance that the actions taken by us will be sufficient to protect our trademarks. The unauthorized use of our trademarks on counterfeit products could harm our market image and reputation, which could materially and adversely affect our business, prospects, financial condition and results of operations.

To protect our intellectual property rights and maintain our competitive advantage, we may file suits against parties who we believe are infringing upon our intellectual property rights. Such litigation may be costly and may divert management attention and our other resources away from our business. In certain situations, we may have to bring lawsuits in foreign jurisdictions, in which case we are subject to additional risks as to the result of the proceedings and the amount of damages that we can recover. In addition, we have no insurance coverage against litigation costs and would have to bear all costs arising from such litigation to the extent we are unable to recover them from other parties. An adverse determination in any such litigation may impair our intellectual property rights and may harm our reputation, business, prospects, financial condition and results of operations.

In addition, our success depends largely on our ability to use and develop our technology and know-how without infringing the intellectual property rights of third parties. We cannot assure you that we will not be subject to claims of infringement upon the intellectual property rights of third parties. The validity and scope of any potential claims relating to our mining and production technology and know-how involve complex scientific, legal and factual questions and analysis and, therefore, may be highly uncertain. The defense and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings can be both costly and time consuming and may significantly divert the efforts and resources of our technical and management personnel. An adverse determination in any such litigation or proceedings to which we are a party may subject us to significant liability to third parties, require us to seek licenses from third parties, pay ongoing royalties, or redesign our products or subject us to injunctions prohibiting the manufacture and sale of our products or the use of our technologies. Protracted litigations may also result in our customers or potential customers deferring or limiting their purchase or use of our products until resolution of such litigations.

We may not be successful in developing new products and applications.

We believe that growth in the thenardite market is partially driven by reaching new markets through the expansion of the number and variety of products and applications. We currently produce three main categories of thenardite products and in order to capture market growth must continue to research and develop new thenardite products as well as new downstream applications for the existing products. We cannot assure you that we will be successful in developing new products at a pace competitive with other thenardite producers or at a pace matching evolving industrial needs in China and globally, or at all. If we cannot continue to develop and expand our product and application technology base, our business, prospects, financial condition and results of operations may be materially and adversely affected.

Our existing Shareholders have substantial influence over our Company and their interests may not be aligned with the interests of our other Shareholders.

Mr. Suolang Duoji currently beneficially owns 63.9% of our issued share capital and will beneficially own approximately 43.1% of our enlarged issued share capital upon the completion of the Global Offering. As such, Mr. Suolang Duoji has substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions, timing and amount of our dividend payments, and otherwise controls or influences actions that require the approval of our Shareholders. These actions may be taken even if they are opposed by our other Shareholders, including those who purchase the Shares in the Global Offering.

This concentration of ownership may discourage, delay or prevent a change in control of our Company, which may deprive our Shareholders of an opportunity to receive a premium for their shares as part of a sale of our Company and might reduce the price of our Shares. Furthermore, our amended Articles, which will become effective immediately upon the closing of the Global Offering, contains a quorum requirement of at least one-third of our total issued Shares present in person or by proxy. Two or more Shareholders with an aggregate shareholding of more than one-third may constitute a quorum and approve actions which may not be in the best interest of our minority Shareholders.

We lack long-term sales contracts with our customers.

Our customers have not provided us, and are not obligated to provide us, with any long-term purchase orders or commitments. Our customers generally issue purchase orders on an as-needed basis pursuant to annual framework contracts. See “Business — Sales and Marketing — Thenardite Sales Contracts”. Accordingly, we do not have long-term purchase orders or commitments to protect us from the adverse financial effects of a reduction in the demand for our products and services that could result from a general economic downturn, the entry of new competitors into the market, the introduction by others of new or improved production technology, an unanticipated shift in the needs of our customers or any other factor affecting the demand for our products and services. In addition, the price of a particular product for a customer, which is subject to negotiation on a periodic basis, generally declines over time. We cannot assure you that our customers will continue to place orders with us in similar quantities, or at all. If they fail to do so, there may be a material adverse effect on our business, prospects, financial condition and results of operations.

We may fail to maintain effective internal controls.

In preparation for the Global Offering, we have implemented various measures to improve our internal controls. We intend to continue to monitor and take further steps to improve our internal controls in the future. Upon the completion of the Global Offering, due to our limited experience with the internal control measures that we have recently implemented, we cannot assure you that all such measures taken to improve our internal controls will be effective as expected or that material deficiencies in our internal controls will not be discovered in the future. Our efforts to improve our internal controls have required, and may continue to require, increased costs and significant management time and commitment. If we fail to maintain effective internal controls in the future, then our business, prospects, financial condition and results of operations may be materially and adversely affected. See “Business — Internal Controls and Actions to Ensure Future Compliance”.

We lack building ownership certificates for some of our buildings in the PRC.

As at the Latest Practicable Date, we lacked building ownership certificates for some of our buildings situated on land that we own. The aggregate floor area of these properties is 11,270.4 m^2, representing approximately 11.2% of the aggregate floor area we occupy (excluding office spaces leased from third parties). These structures may be required to be demolished by the government authorities.

We will consider relocating such buildings to other locations within our facilities or re-construct such buildings if requested by relevant government authorities. If we are required by the relevant PRC land authority to cease occupying the relevant properties and if we fail to find alternative replacement sites on terms acceptable to us, we may need to relocate part of our operations which may have a material adverse effect on our business, prospects, financial condition and results of operations. See "Business — Property".

As of the Latest Practicable Date, we lacked the building ownership certificates for two buildings located on land that we own near the Meishan train station. We use these buildings to store our thenardite products prior to shipment or collection by customers and these buildings are not crucial to our operations. Our Directors confirm that we are in the process of applying for the building ownership certificates for these two buildings. There can be no assurance that we will obtain these building ownership certificates on a timely basis or at all. See "Business — Property".

We have been unable to obtain certain explosives permits under the 2006 Explosives Regulation.

We use explosives on a regular basis in our mining operations. On September 1, 2006, the 2006 Explosives Regulation was implemented by the State Council and required all enterprises that utilize explosives to obtain entity explosives permits and all technicians who handle and use explosives to obtain individual explosives permits issued by the local public security bureau. The 2006 Explosives Regulation also provided that the Administrative Rules for Explosives shall be further stipulated by the Ministry of Public Security. This legislation replaces the 1984 Explosives Regulation in its entirety. On October 8, 2006, the Ministry of Public Security issued the 2006 Explosives Regulation Notice which stated that while entities are required to apply for their respective entity explosives permits and technicians are required to apply for the relevant individual explosives permits under the 2006 Explosives Regulation, before the issuance of the Administrative Rules for Explosives the utilization permits and individual permits issued pursuant to the 1984 Explosives Regulation would remain effective. As of the Latest Practicable Date, the Administrative Rules for Explosives had not been issued. As a result, we have been unable to obtain the explosives permits required by the 2006 Explosives Regulation. We cannot assure you that we will obtain such permits in a timely manner, or at all once the Administrative Rules for Explosives is implemented. Without such permits we may be subject to governmental action that would stop us from using explosives and thereby severely disrupting our mining operations, which would have a material adverse effect on our business, results of operations and financial conditions. See "Business — Explosives Permit".

We operated in the Guangji Mining Area without mining rights and certain other relevant approvals.

We commenced pilot commercial mining and production at our 1.0 million tpa production facility in the Guangji Mining Area in November 2007. We operated continuously from such time without mining rights, necessary permits and approvals relating to production safety, environmental protection and construction completion and certain other permits and approvals for our mining and production activities in the Guangji Mining Area. On September 12, 2008, we received the mining rights with respect to the Guangji Mining Area, on October 31, 2008 we received the safety production permit for our mining and production facility in the Guangji Mining Area and by November 1, 2008, we had received other required permits and approvals except the explosives permits, land use rights with respect to certain collectively-owned lands and building ownership certificates and construction project completion approval for the aboveground buildings located on such lands as disclosed elsewhere in this prospectus. See "— We do not have land use rights for certain parcels of land above our two mines and may not be able to continue to access the primary access tunnels into our mines and our use of certain facilities built on these parcels" and "— We have been unable to obtain explosives permits under the 2006 Explosives Regulation." Our operation in the Guangji Mining Area during this period without the necessary safety production permit, environmental impact assessment approval, acceptance certificate for the environmental protection, acceptance certificate for completion of construction project, safety inspection certificate and fire control system acceptance certificate for completion may result in a fine which includes the disgorgement of revenues generated during the period of operations without the needed rights, permits and approvals. See "Business — Our Mining Operations and Production Facilities — Guangji Mining Area and Production Facility".

We may be adversely affected by the recent economic crisis in the world.

The recent global economic crisis has adversely affected the U.S. and the world economies. Under such deteriorating global economy and with the continual weak sentiment, demand for, among other things, thenardite and its downstream products may fall, which in turn would affect our profitability. As a result of recent events, we have experienced pricing pressure on our powder thenardite product and anticipate slower growth of specialty thenardite demand. Moreover, many banks have been tightening credit, which may increase our financing costs. Banks may also reduce the amount of or discontinue the banking facilities currently available to us. If this economic downturn continues, our business, results of operations and financial conditions could be materially and adversely affected.

Risks Relating to Conducting Business in the PRC

We are vulnerable to adverse changes in political and economic policies of the PRC government that affect economic growth in China.

All of our business operations are conducted in China and we anticipate selling substantially all of our products in China in the near future. The largest demand for thenardite comes from downstream industries such as powder detergent, textile and glass. The growth in these industries are linked to economic trends and development. Accordingly, we are affected by the economic, political and legal environment in China, and China's overall GDP growth.

The Chinese economy differs from the economies of most developed countries in many respects, including the fact that it:

- has a high level of government involvement;
- is in the early stages of development of a market-oriented economy;
- has experienced rapid growth;
- has a tightly controlled foreign exchange policy; and
- is characterized by an inefficient allocation of resources.

Since 1978, China has been one of the world's fastest growing economies in terms of GDP growth. We cannot assure you, however, that such growth will be sustained in the future. In addition, due to the close trade relationship between the United States, the European Union, some Asian countries and China, if an economic slowdown or economic crisis occurs in these countries, China's economic growth may be materially adversely affected. Efforts by the PRC government to slow the pace of growth of the Chinese economy may result in reduced demand for our products.

Moreover, while the Chinese economy has grown significantly in the past 30 years, the growth has been uneven, both geographically and among various sectors of the economy. The Chinese economy has been transitioning from a planned economy to a more market-oriented economy. The PRC government has implemented various measures including recent interest rate increases, to encourage economic growth and guide the allocation of resources. The PRC government exercises control over Chinese economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Some of these measures benefit the overall Chinese economy, but may also have a negative effect on our business. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. If China suffers an economic downturn affecting our customers and we are unable to develop offshore customers in other regions, then our business, prospects, financial condition and results of operations may be materially and adversely affected.

We rely on dividends paid by our subsidiaries for our cash needs.

We are a holding company incorporated in the Cayman Islands and conduct substantially all of our operations through our PRC subsidiaries. We will rely on dividends paid by our PRC subsidiaries for our future cash needs that cannot be provided by equity issuance or borrowings outside of the PRC, including the funds necessary to pay dividends and other cash distributions to our shareholders, to service any debt we may incur and to pay our operating expenses in excess of such amounts will depend on dividends from our PRC subsidiaries. Regulations in the PRC currently permit payment of dividends by PRC subsidiaries only out of accumulated profits as determined in accordance with PRC GAAP. According to applicable PRC laws and regulations, each of our PRC subsidiaries is required to maintain a general reserve fund and a staff welfare and bonus fund. Each of our PRC subsidiaries is also required to set aside at least 10.0% of its after-tax profit based on PRC GAAP each year for its general reserves until the amount of such reserves reach 50% of its registered capital. These reserves are not distributable as dividends. Contributions to such reserves are made from each of our PRC subsidiaries' net profit after taxation. In addition, if any of our PRC subsidiaries incurs debt in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. As a result, each of our PRC subsidiaries is restricted in its ability to transfer the net profit to us in the form of dividends. If our PRC subsidiaries cannot pay dividends due to government policy and regulations, or because they cannot generate the requisite cash flow, we may not be able to pay dividends, service our debt or pay our expenses, which may have a material adverse effect on our business, prospects, financial condition and results of operations.

Recent regulations relating to offshore investment activities by PRC residents may subject us to fines or sanctions.

In October 2005, SAFE promulgated Circular No. 75. Circular No. 75 states that if PRC residents use assets or equity interests in their PRC entities as capital contributions to establish offshore companies or inject assets or equity interests of their PRC entities into offshore companies to raise capital overseas, they must register with SAFE or its authorized organization with respect to their overseas investments in offshore companies. They must also file amendments to their registrations if their offshore companies experience material events involving capital variation, such as changes in share capital, share transfers, mergers and acquisitions, spin-off transactions, long-term equity or debt investments or uses of assets in China to guarantee offshore obligations. Under Circular No. 75, failure to comply with the registration procedures set forth in such regulation may result in restrictions being imposed on the foreign exchange activities of the relevant PRC entity, including the payment of dividends and other distributions to its offshore parent, as well as restrictions on the capital inflow from the offshore entity to the PRC entity. In May 2007, SAFE issued relevant guidance to its local counterparts with respect to the operational process for SAFE registration. This guidance provides more specific and stringent supervision on the registration under Circular No.75 and imposes obligations on any onshore subsidiaries of a SPV to coordinate with and supervise the PRC resident beneficial owners of its offshore parent entity to complete the SAFE registration.

We do not have control over our Shareholders and cannot assure you that all of our PRC resident beneficial owners will comply with Circular No.75. In connection with Chuanmei Glauber Salt's SAFE registration, Mr. Suolang Duoji did not disclose his ownership of Top Promise and therefore his indirect ownership of Chuanmei Glauber Salt, and the Meishan Branch SAFE instructed him to pay a fine of RMB10,000 as a result of such inaccuracies. Mr. Suolang Duoji paid such fine in April 2008 and made the registration with the Sichuan Branch SAFE. Our PRC legal counsel, Grandall Legal Group (Shanghai), has advised us that Mr. Suolang Duoji's registration is currently effective. See "Business — Government Regulations — Circular No. 75". Any future failure by any of our Shareholders who is a PRC resident, or controlled by a PRC resident, to comply with relevant requirements under Circular No. 75 may subject our PRC subsidiaries to fines or sanctions imposed by the PRC government, including restrictions on our subsidiaries' ability to pay dividends or make distributions to us and our ability to increase our investment in or to provide loans to our subsidiaries.

Because it is uncertain how SAFE will interpret or implement its circular, we cannot predict how this circular and other SAFE circulars will affect our business operations or ability to implement our strategy. For example, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign currency-denominated borrowings, which may adversely affect our business, prospects, financial condition and results of operations.

PRC regulation of direct investment and loans by offshore holding companies to PRC entities may delay or limit us from using the proceeds of the Global Offering to make additional capital contributions or loans to our PRC subsidiaries.

Any capital contributions or loans that we, as an offshore entity, make to our PRC subsidiaries, including from the proceeds of the Global Offering, are subject to PRC regulations. For example, loans to our PRC subsidiaries cannot exceed the difference between the total amount of investment each of our PRC subsidiaries is approved to make under relevant PRC laws and the registered capital of each of our PRC subsidiaries, and must be registered with the local branch of the SAFE as a procedural matter. In addition, our capital contributions to each of our PRC subsidiaries must be approved by the MOFCOM or its local counterpart. We cannot assure you that we will be able to obtain these approvals on a timely basis, or at all. If we fail to obtain such approvals, our ability to make equity contributions or provide loans to our PRC subsidiaries or to fund their operations may be negatively affected, which may adversely affect their liquidity and ability to fund their working capital and expansion projects and meet their obligations and commitments.

A new PRC tax law increases the enterprise income tax rate applicable to our subsidiaries in China.

On March 16, 2007, the National People's Congress approved the draft bill of the PRC EIT Law, which became effective on January 1, 2008. The PRC EIT Law sets a uniform tax rate of 25% for all enterprises (including FIEs) and revokes the tax exemptions, reductions and preferential treatments applicable to FIEs. The PRC EIT Law also provides for transitional measures for enterprises established prior to the promulgation of the PRC EIT Law and eligible for lower tax rate preferential treatments in accordance with the then prevailing tax laws and administrative regulations. These enterprises may continue to enjoy tax preferential treatments after the implementation of the PRC EIT Law until their preferential treatments expire and will become subject to the new, unified tax rate over a five-year period starting from January 1, 2008. The preferential treatment period of enterprises which have not enjoyed any preferential treatment because they failed to record a profit, however, will be deemed to start from the implementation of the PRC EIT Law.

In addition, under the PRC EIT Law, an enterprise established outside of the PRC with "de facto management bodies" within the PRC may be considered a resident enterprise and will normally be subject to enterprise income tax at the rate of 25% of its global income. On December 6, 2007, the Implementation Rules for the PRC EIT Law were promulgated by the PRC State Council. The Implementation Rules for the PRC EIT Law provide that the term "de facto management bodies" refers to management bodies with material management and control in all aspects over, without limitation, the production, operation, personnel, finance and assets of the enterprise. However it is still unclear whether the PRC tax authorities will subsequently determine that, notwithstanding our status as the Cayman Islands holding company of our business, we should be classified as a resident enterprise, in which case our global income will be subject to PRC income tax at a tax rate of 25%.

Furthermore, the exemption from the 20% withholding tax on dividends distributed by FIEs to their foreign investors under the former tax laws is no longer available. Under the PRC EIT Law and the Implementation Rules for the PRC EIT Law, PRC income tax at the rate of 10% is applicable to dividends paid by Chinese enterprises to "non-resident enterprises" (enterprises that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business) subject to the application of any relevant income tax treaty that the PRC has entered into. If we or our non-PRC subsidiaries are considered "non-resident enterprises", any dividend that we or any such non-PRC subsidiary receives from our PRC subsidiaries may be subject to PRC taxation at the 10% rate (or lower treaty rate). The Implementation Rules for the PRC EIT Law have been promulgated only recently and their implementation has yet to be further clarified in practice. It is uncertain whether we will be able to benefit from tax holdings if we are profitable.

Notwithstanding the above, Chuanmei Mirabilite will continue to enjoy a preferential income tax rate of 12.5% for foreign-invested enterprises of a production nature until 2009. However, Chuanmei Glauber Salt has been subject to the regular enterprise income tax rate of 25% which started in 2008.

Further, in order to benefit from this preferential tax rate, we must satisfy certain requirements under PRC laws. Our main business must qualify as being within the encouraged category in the general "Guidance Catalogue for Foreign Investment in Industry" or in the region-specific "Catalogue of Priority Industries for Foreign Investment in the Central-Western Region" and the revenue derived from such business should account for more than 70% of our total revenues. There is no assurance that we can continue to satisfy the above requirements and benefit from the preferential tax treatment in the future. Any increase in our enterprise income tax rate in the future could have a material adverse effect on our financial condition and results of operations.

Our effective tax rates for the three years ended December 31, 2008 were 3.2%, 22.5% and 28.0%, respectively.

Dividends payable by us to our foreign investors and gains on the sale of our Shares may become subject to withholding taxes under PRC tax laws.

As advised by our PRC legal counsel, Grandall Legal Group (Shanghai), under the PRC EIT Law and the Implementation Rules for the PRC EIT Law, PRC income tax at the rate of 10% (or lower treaty rate) is applicable to dividends payable to investors that are "non-resident enterprises" to the extent such dividends have their source within the PRC. Similarly, any gain realized on the transfer of shares by such investors is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. If we are considered a PRC "resident enterprise", it is unclear whether the dividends we pay with respect to our Shares, or the gain you may realize from the transfer of our Shares, would be treated as income derived from sources within the PRC and be subject to PRC taxation. If we are required under the PRC EIT Law to withhold PRC income tax on our dividends payable to our foreign Shareholders, or if you are required to pay PRC income tax on the transfer of your Shares, the value of your investment in our Shares may be materially and adversely affected.

We may not be able to obtain necessary approvals for capital investment from the relevant governmental authority.

We must obtain PRC government approvals for all of our significant capital investment projects. There can be no assurance that all our projects will be approved or there will not be a delay in securing such approvals. Because the commercial viability of our future development plans for our thenardite business depends largely on these projects, our business, prospects, financial condition and results of operations may be materially adversely affected if any of these projects is not approved, or is not approved on a timely basis.

The interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties in China.

We conduct all of our mining and production operations through our subsidiaries established in China. Our subsidiaries are generally subject to laws and regulations applicable to foreign investment in China. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties, and may not be as consistent or predictable as in other more developed jurisdictions. Depending on the government agency or how an application or case is presented to such agency, we may receive less favorable interpretations of laws and regulations than our competitors, or we may receive interpretations that are inconsistent with our interpretations. We cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, the preemption of local regulations by national laws, or the overturn of local government's decisions by itself, provincial or national governments. These uncertainties may limit legal protections available to us. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention and have a material adverse effect on our business, prospects, financial condition and results of operations.

We have received a number of confirmation letters from governmental agencies relating to our historic and ongoing non-compliance with certain PRC laws and regulations. The uncertainties set forth above apply equally to these confirmation letters. See "Business".

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions in China based on United States or other foreign laws against us, our management or the experts named in the prospectus.

We conduct all of our operations in China and significantly all of our assets are located in China. In addition, all of our Directors and executive officers reside within China or Hong Kong. As a result, it may not be possible to effect service of process within the United States or elsewhere outside China upon some of our directors and senior executive officers, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws. Moreover, our PRC legal counsel, Grandall Legal Group (Shanghai), has advised us that the PRC does not have treaties with the United States or many other countries providing for the reciprocal recognition and enforcement of judgment of courts. Therefore, it may be difficult for you to enforce against us in the PRC any judgments obtained from non-PRC courts.

We are vulnerable to fluctuations in the value of the Renminbi.

Most of our sales are denominated in Renminbi with the remainder in U.S. dollars and Euros. Fluctuations in exchange rates, particularly among the U.S. dollar, Renminbi and the Euro, may affect our net profit margins and may result in fluctuations in foreign exchange and operating gains and losses. We have not used any other forward contracts, currency options or borrowings to hedge our exposure to foreign currency exchange risk. We cannot predict the impact of future exchange rate fluctuations on our results of operations and may incur net foreign currency losses in the future.

Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, had been based on rates set by the PBOC. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy has resulted in an approximately 17.6% appreciation of Renminbi against the U.S. dollar between July 21, 2005 and April 30, 2009. While the international reaction to the Renminbi revaluation has generally been positive, there remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which may result in a further and more significant appreciation of the Renminbi against the U.S. dollar. As most of our costs and expenses is denominated in U.S. dollar, the revaluation from July 2005 has and may further increase our costs in U.S. dollar terms. For example, to the extent that we need to convert U.S. dollars we receive from the Global Offering into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we receive from the conversion. Conversely, if we decide to convert our Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount available to us.

In addition, an appreciation in the value of the Renminbi against foreign currencies may make our products more expensive for our international customers as well as reduce the competitiveness of our PRC customers in the international market, thus potentially leading to a reduction in our sales and profitability.

Governmental control over currency conversion may affect the value of your investment and limit our ability to utilize our cash effectively.

Substantially all of our revenue is denominated in Renminbi. The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from SAFE provided that we satisfy certain procedural requirements. However, approval from SAFE or its local counterpart is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions.

Under our current corporate structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders.

In addition, since a significant amount of our future cash flow from operations will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to purchase goods and services outside of the PRC or otherwise fund our business activities that are conducted in foreign currencies. This could affect the ability of our subsidiaries in China to obtain foreign exchange through debt or equity financing, including by means of loans or capital contributions from us.

The outbreak of any severe communicable disease in the PRC or elsewhere may affect economic conditions.

The outbreak of any severe communicable disease in the PRC or elsewhere could have a material adverse effect on the overall business sentiment and environment in the PRC. This situation in turn may have a material adverse effect on domestic consumption and, possibly, the overall GDP growth of the PRC. As substantially all of our revenue is currently derived from our PRC operations, any contraction or slowdown in the growth of domestic consumption or slowdown in the GDP growth of the PRC may materially and adversely affect our business, prospects, financial condition and results of operations. In addition, if our employees are affected by any severe communicable disease, we may be required to close our facilities or institute other measures to prevent the spread of the disease, which may materially and adversely affect or disrupt our production. The spread of any severe communicable disease in the PRC may also affect the operations of our customers and suppliers, which may in turn have a material adverse effect on our business and profitability.

The recent outbreak of Influenza A (H1N1), also widely known as "swine influenza," has caused deaths worldwide. Countries and territories including Hong Kong have officially reported cases of Influenza A (H1N1) infection. The increasing number of Influenza A (H1N1) infected cases in certain Asian countries and territories could indicate a possible full-blown pandemic, which would in turn undermine human lives and the local and cross-border business activities and threaten the prospects of economic recovery in those areas. It is unclear whether the epidemic will become more aggressive or will wane in the near future. Any prolonged outbreak of Influenza A (H1N1) or other severe communicable disease in the PRC or elsewhere could have a material adverse effect on our business, prospects, financial condition or result of operations.

We may be subject to fines and penalties under the PRC Labor Contract Law and our labor costs may increase.

The Standing Committee of the National People's Congress adopted the PRC Labor Contract Law on June 29, 2007 which became effective on January 1, 2008. The PRC Labor Contract Law imposes requirements relating to, among others, the types of contracts to be executed between employer and employee, and establishes time limits for probation periods and for how long and how many times an employee can be placed on a fixed-term employment contract. It also requires that social insurance be paid on behalf of employees, otherwise employees are entitled to unilaterally terminate the labor contract.

As a result of the new law and regulations, our labor costs may increase. If labor costs increase in China, our production costs will increase and we may not be able to pass these increases on to our customers due to competitive pricing pressures. We cannot assure you that any disputes, work stoppages or strikes will not arise in the future. Increases in our labor costs and future disputes with our employees could adversely affect our business, financial condition or results of operations.

Risks Relating to the Global Offering and Our Shares

There has been no prior public market for our Shares, and the liquidity and market price of our Shares may be volatile.

Prior to the listing of our Shares on the Stock Exchange, there has been no public market for our Shares. The Offer Price for our Shares will be the result of negotiations between the Joint Global Coordinators (on behalf of the Underwriters) and us, and may differ from the market prices for our Shares after Listing. We have applied to the Stock Exchange for the listing of, and permission to deal in, our Shares. However, there can be no assurance that the listing of our Shares on the Stock Exchange will result in the development of an active and liquid public trading market for our Shares. The market price, liquidity and trading volume of our Shares may be volatile. Factors that may affect the volume and price at which our Shares will be traded include, among other things, variations in our revenue, earnings, cash flows, announcements of new investments and changes in laws and regulations in the PRC. We can give no assurance that these developments will not occur in the future. In addition, shares of other companies listed on the Stock Exchange with significant operations and assets in the PRC have experienced price volatility in the past, and it is possible that our Shares may be subject to changes in price not directly related to our performance.

Purchasers of our Shares in the Global Offering will experience immediate dilution and may experience further dilution if we issue additional equity interests in the future.

The Offer Price of our Shares is higher than the net tangible assets book value per Share immediately prior to the Global Offering. Therefore, purchasers of our Shares in the Global Offering will experience an immediate dilution in the pro forma consolidated net tangible asset book value of HK$0.66 per Share based on the maximum offer price of HK$2.56 per Share.

In order to expand our business, we may consider issuing additional equity interests in the future. Purchasers of our Shares may experience further dilution in the net tangible asset book value per Share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset book value per Share.

You may face difficulties in protecting your interests because we are incorporated under Cayman Islands law, which law may provide less protection to minority shareholders than the laws of Hong Kong and other jurisdictions.

Our corporate affairs are governed by our Memorandum and Articles and by Cayman Companies Law and common law of the Cayman Islands. The law of the Cayman Islands relating to the protection of the interests of minority shareholders differs in some respects from those established under statues and under judicial precedents in other jurisdictions. As a result, remedies available to the minority Shareholders of our Company may be different from those they would have enjoyed under the laws in other jurisdictions. See “Appendix VI — Summary of the Constitution of our Company and Cayman Islands Companies Law”.

Future sales of substantial amounts of our Shares in the public market could adversely affect the prevailing market price of our Shares.

The Shares held by certain Shareholders are subject to certain lock-up periods after the date on which trading in our Shares commences on the Stock Exchange, the details of which are set out in the section headed “Underwriting” in this prospectus. We cannot assure you that, after such restrictions expire, our Shareholders will not dispose of any Shares. Sales of substantial amounts of our Shares in the public market, or the perception that these sales may occur, may materially and adversely affect the prevailing market price of our Shares.

Our ability to raise capital in the future may be limited, and our failure to raise capital when needed could prevent us from executing our growth strategy successfully.

If our capital resources are insufficient to satisfy our liquidity requirements, we may seek to sell additional equity securities or debt securities or obtain debt financing. The sale of additional equity securities or convertible debt securities could result in additional dilution to our Shareholders. Additional debt would result in increased expenses and could result in covenants that would restrict our operations.

Certain facts and statistics contained in this prospectus have come from official government sources or other industry publications, the reliability of which cannot be assumed or assured.

Certain facts and statistics in this prospectus related to the PRC, its economy and the industries in which we operate are derived directly or indirectly from official government sources generally believed to be reliable.

While we have taken reasonable care to reproduce such information, we cannot guarantee the quality and reliability of such source material. These facts and statistics have not been independently verified by us, the Joint Sponsors, the Underwriters or any of our or their respective affiliates or advisors or any other parties involved in the Global Offering and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC and may not be complete or up-to-date. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the facts and statistics in this prospectus may be inaccurate and the statistics may not be comparable to statistics produced for other economies. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree or accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on all such facts and statistics.

The options under the Pre-IPO Share Option Scheme and the Share Option Scheme may have a negative impact on our share value and profitability.

We have conditionally adopted the Pre-IPO Share Option Scheme on April 30, 2008, under which we have granted options to certain Directors, senior managerial staff and employees of our Company. The exercise of the options would entitle these persons to purchase an aggregate of 76,000,000 Shares, representing approximately 3.95% of the issued share capital of our Company immediately before completion of the Global Offering. See “Appendix VII — Statutory and General Information — Option Schemes — Pre-IPO Share Option Scheme”. We have also adopted the Share Option Scheme on May 26, 2009. No options have been granted thereunder as at the Latest Practicable Date. See “Appendix VII — Statutory and General Information — Option Schemes — Share Option Scheme”.

Any exercise of the Pre-IPO Share Options or options to be granted under the Share Option Scheme in the future and issuance of Shares thereunder would result in the reduction in the percentage ownership of the Shareholders and may result in a dilution in the earnings per Share and net assets value per Share, as a result of the increase in the number of Shares outstanding after the issuance. Also, pursuant to IFRS, the costs of the Pre-IPO Share Options granted and the options to be granted to employees under the Share Option Scheme will be charged to our consolidated income statement over the vesting period by reference to the fair value at the date at which the Pre-IPO Share Options or the options under the Share Option Scheme are granted. As a result, our Company’s profitability may be adversely affected.

You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles or disseminated through other media relating to us and/or the Global Offering, which may not be consistent with the information contained in this prospectus.

Prior to the publication of this prospectus, there has been press and media coverage on us and the Global Offering such as in the South China Morning Post dated April 27, 2009 and May 20, 2009, Hong Kong Economic Journal and Ming Pao Daily News dated May 20, 2009 and Sing Pao and Hong Kong Daily News dated May 27, 2009, the disclosure of which has not been authorized by us but included certain financial information, projections, valuations and other information about us. We wish to emphasize to potential investors that we do not accept any responsibility for any such unauthorized information, which was not sourced from or approved by us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of such unauthorized information. To the extent that any of the unauthorized information is inconsistent with, or conflicts with, the information contained in this prospectus, we disclaim it. Accordingly, prospective investors are cautioned to make their investment decisions based solely on the information contained in this prospectus and should not rely on any of the abovementioned unauthorized information or any other information that has been made public without our authorization.