

## INDUSTRY OVERVIEW

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#### Introduction

Reinforced Materials refer to polymer processed high strength polyester fabric composite materials and other reinforced composite materials. Reinforced Materials are a category of high performance composite materials using fabrics such as nylon or high strength polyester fabrics, adding PVC, TPU or other polymer through calender, coating, lamination, or a combination of the above processes, and other additional treatment as needed, such as surface treatment. Reinforced Materials are primarily different from conventional functional materials in terms of strength and performance. According to Frost & Sullivan research, "Reinforced Materials" or its Chinese equivalent is a term commonly used in the industry.

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Due to the fine performance of Reinforced Materials, they can be used in a wide range of applications, such as pool, inflatable boat, large scale inflatable toy, waders and protective clothing, air bed, sports hall flooring, biogas tank, and so on. And with further technology development, Reinforced Materials are likely to be seen in more emerging applications. Reinforced Materials are currently widely adopted in a large number of applications as listed below:



Source: Frost & Sullivan

## REINFORCED MATERIALS INDUSTRY IN CHINA

### China's Rapid Economic Growth

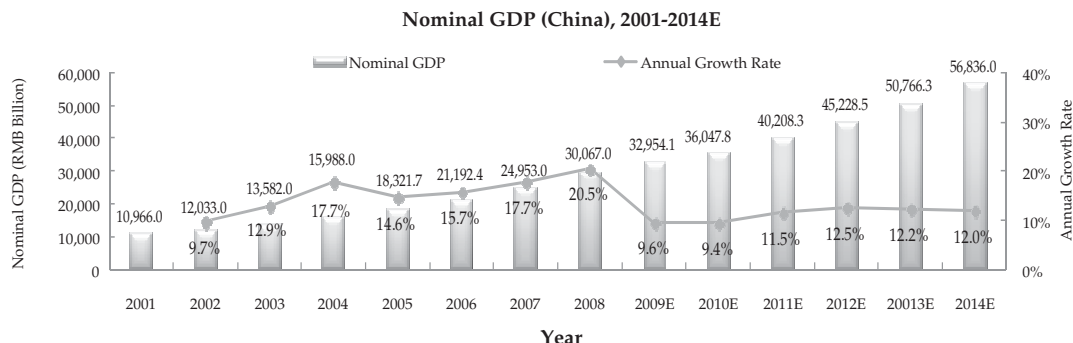
China is one of the fastest growing economies in the world and has experienced significant economic growth since it began its economic reforms in the late 1970s. According to the National Statistics Bureau of China, the GDP of China increased from about RMB11.0 trillion in 2001 to about RMB30.1 trillion in 2008, growing at a CAGR of about 15.5%. China's rapid economic growth is a result of a series of measures on economic reform, including the removal of trade and investment barriers to attract foreign investments. According to IMF, China's nominal GDP is expected to sustain moderate growth and reach about RMB56.8 trillion by 2014, growing at a CAGR of about 11.2% from 2008 to 2014.

As a result, from 2001 to 2008, China's per capita GDP has also been growing rapidly due to its fast advancing economy. In 2008, China's per capita GDP was RMB22,698.0, up by about 163.3% from RMB8,622.0 in 2001. According to IMF, China's nominal GDP per capita is expected to sustain moderate growth and reach RMB39,540.4 by 2014.

The rapid economic growth in China and the significant increase in Chinese consumers' purchasing power have created an attractive economic environment for increasing its demand for Reinforced Materials. As consumers' disposable income increases, they have higher requirements in spending their leisure time. More people are expected to attend outdoor leisure activities as well as sports activities, such as boating, water sports, and fishing etc, which in turn, will drive Reinforced Materials market.

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The following chart sets forth the historical and expected GDP growth rates between 2001 and 2014 for China.

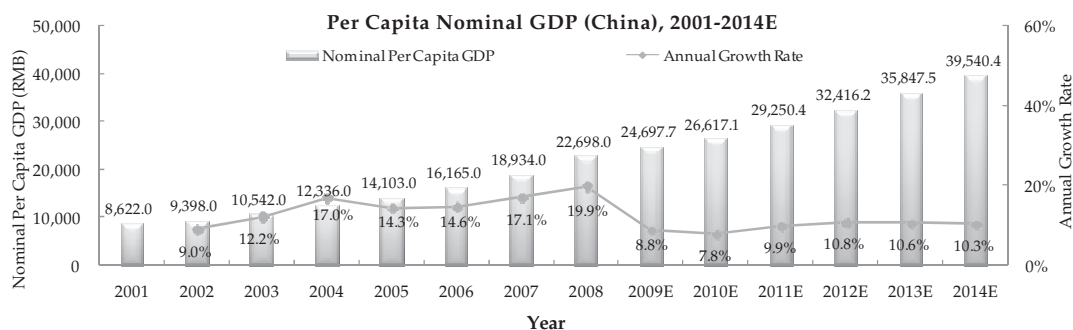


Note: All data are rounded.

Source:

1. Historical data: National Bureau of Statistics of China
2. Projected data: IMF, April 2009

The following chart sets forth the historical and expected per capita GDP growth rates between 2001 and 2014 for China.



Note: All data are rounded.

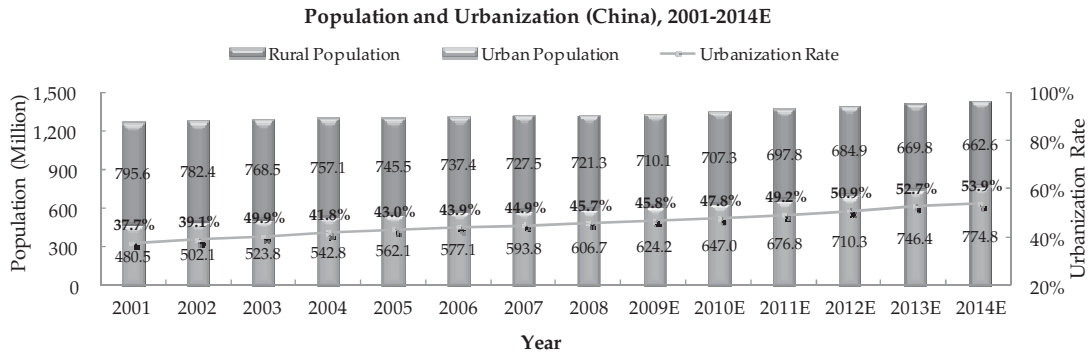
Source:

1. Historical data: National Bureau of Statistics of China
2. Projected data: IMF, April 2009

Urbanization has emerged as one of the important features of China's modernization. Increasing urbanization rate is expected to drive the development of outdoor leisure, construction, logistics, advertising and many other industries. Manufacturers of Reinforced Materials are anticipated to benefit from continuous urbanization. China's urban population has been on a rising trend since 1990s. From 2001 to 2008, the level of urbanization in China increased from about 37.7% to 45.7%. China's

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urban population is estimated to reach about 774.8 million by 2014. The urbanization rate is forecast to be about 53.9% in 2014, with a CAGR of about 2.8% from 2008 to 2014 as follows:



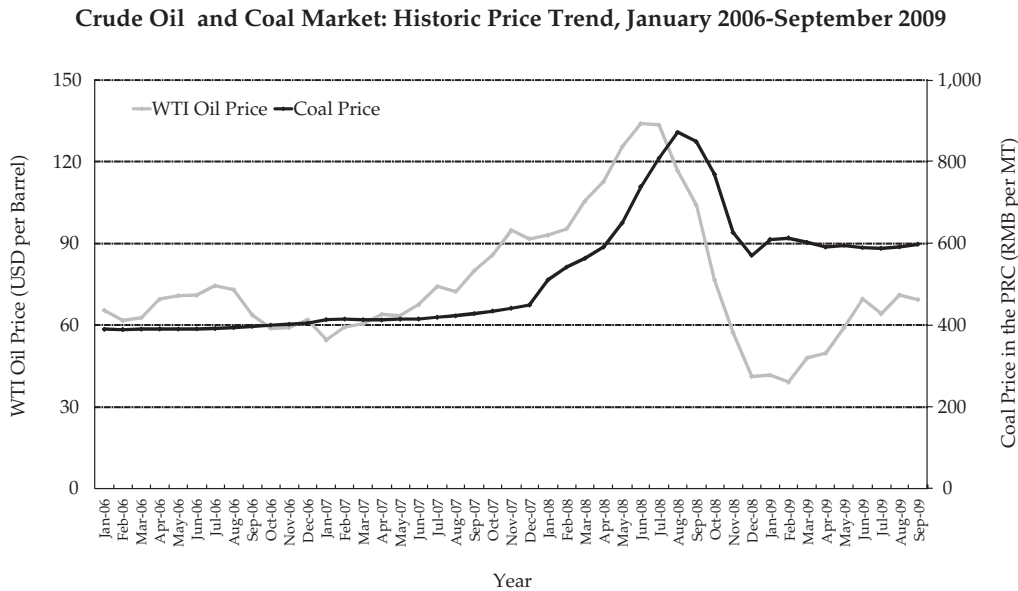
Note: All data are rounded.

Source:

1. Historical data: National Bureau of Statistics of China
2. Projected data: Frost & Sullivan

### Price of Crude Oil and Coal

The following chart sets forth the historical crude oil price in the world and coal price in the PRC between January 2006 and September 2009.



Source: West Texas Intermedium (WTI) oil price is from Energy Information Administration (EIA); Coal price is from China Coal Trade & Development (CCTDA)

Note: WTI oil price is monthly price calculated by EIA from daily data by taking an unweighted average of the daily closing spot prices FOB for a given product over the specified time period. Coal price is monthly average price in China calculated by China Coal Trade & Development Association (CCTDA) by taking a weighted average from the monthly average prices of nine major types of coal produced by eight major coal-producing regions in China. All data are rounded.

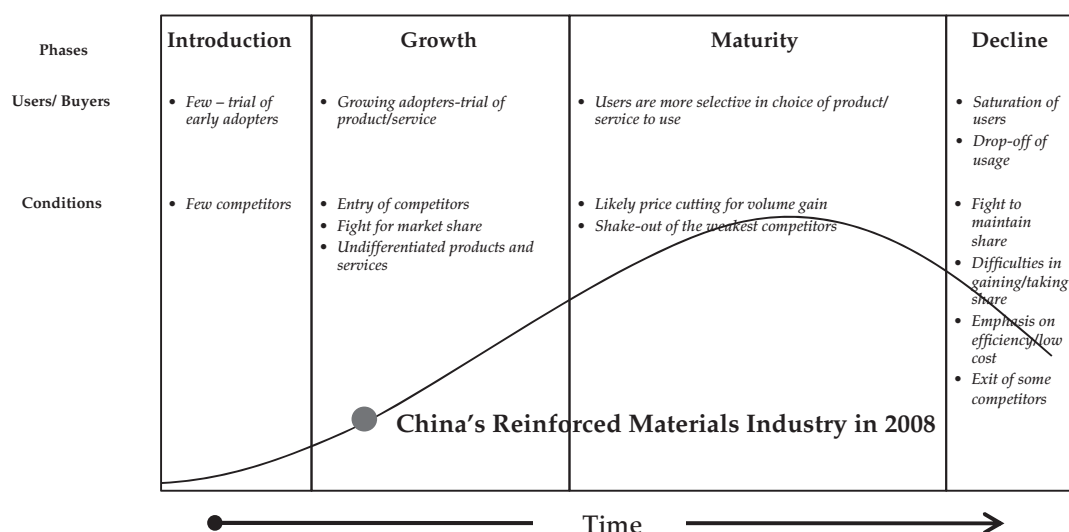
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From 2006 to 2008, crude oil price was on the rise, while since the second half of 2008 it has witnessed a drop due to the financial crisis, dramatically to about \$40.0 per barrel or even lower in early 2009. As a result, the Organization of Petroleum Exporting Countries (OPEC) has adopted more effective measures to stabilize oil prices by controlling crude oil production. From June to September of 2009, the oil price stayed at around \$70 per barrel. Due to the rising cost of crude oil production, and the favorable economic expectations in the long run, oil prices could hardly fell. According to the International Energy Agency, crude oil prices could average about \$100.0 per barrel between 2008 and 2014.

China has abundant coal resource, and produced about 2,782.0 million MT of coal in 2008 which accounted for over half of the global coal output of that year. Compared with crude oil, the price of coal in China has been more stable. It has witnessed very slightly increase during year 2006 and 2007. The coal price in China has grown from about RMB389.8 per MT in January 2006 to about RMB449.2 per MT in December 2007. Since 2008, the price has been driven mainly by the high oil price and strong domestic demand, from RMB510.8 per MT in January to a record high of about RMB871.3 per MT in August. Afterward, it experienced a similar drop with crude oil during the rest months of the year due to financial crisis and shrinking demand. In 2009, the coal price has stayed at about RMB600.0 per MT for the first nine months.

The costs of raw materials used for most of the Group's products generally follow, among other factors, price trends of, and vary with the market conditions for petroleum or coal which may be highly volatile and cyclical. Please refer to the disclosure of the relevant risk factor "Fluctuations in the price and supply of raw materials" in the "Risk factors" section.

### Reinforced Materials Market: Industry Life Cycle (China), 2008



Source: Frost & Sullivan

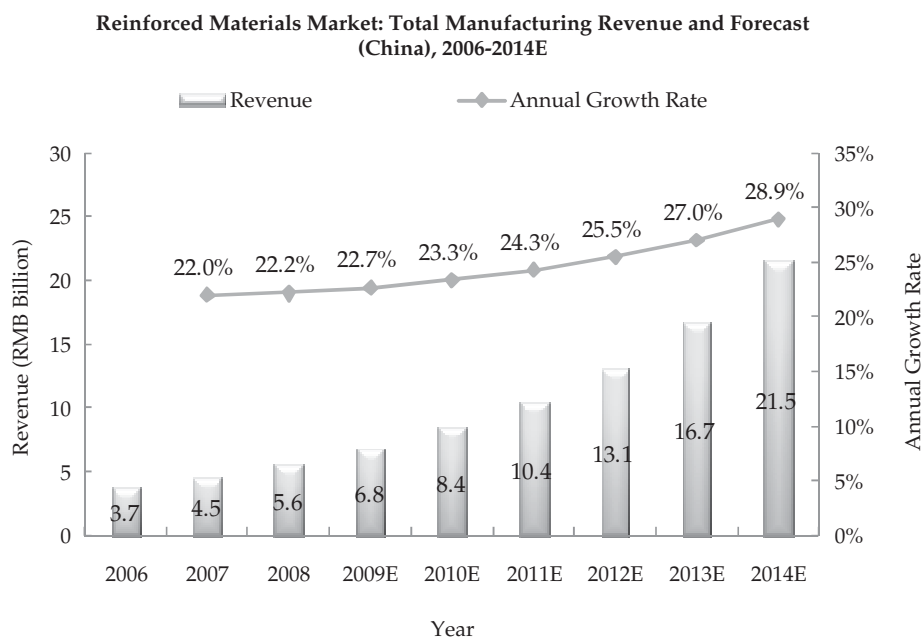
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Emerging only in the middle 1990s, China's Reinforced Materials industry remained in the early growth stage in 2008, and is forecasted to stay in this stage during the forecast period (2009-2014). As the industry has been developed for only over a decade in China, technology, especially for producing high quality products, is lagging behind that in the developed countries. Only a small number of manufacturers in China are capable of competing in the high-end market. With the development of technology, domestic manufacturers are anticipated to improve the technology and participate in the high-end market more frequently. Large manufacturers are likely to offer a wide range of products, covering not only low to high end market, but also products that are customized in function and performance to meet specific customer needs. The technology of combining coating process and lamination process has been seen adopted in the industry, which is an advanced technology that could leverage the benefits of both processes, and provide better product quality, or comparable quality with lower cost.

Another foreseeable trend of the industry is for competent manufacturers to integrate downstream businesses into their original business scope, as the quality of Reinforced Materials is the key to make good downstream end-user products. Via integrating downstream businesses, manufacturers of Reinforced Materials can not only capture the growth of downstream markets, but also better control the cost, so to win the competition in the downstream end-user products markets.

### Reinforced Materials Market Size in China

The following chart sets forth the historical and expected total manufacturing revenue of Reinforced Materials between 2006 and 2014 for China.



*Note: All data are rounded.*

*Source: Frost & Sullivan*

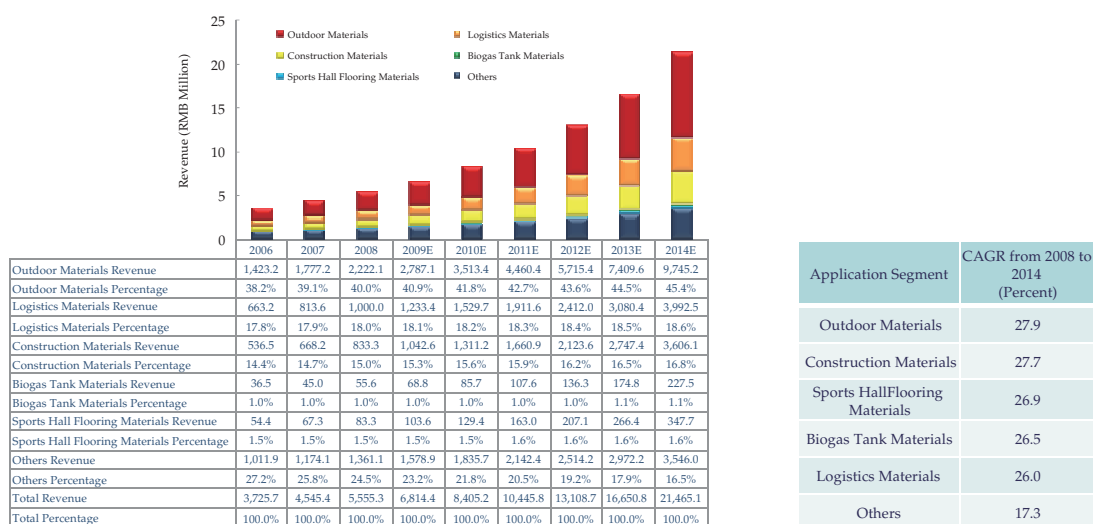
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Total manufacturing revenue of Reinforced Materials in China has been steadily growing, having reached about RMB5.6 billion in 2008 from about RMB3.7 billion in 2006, representing a CAGR of about 22.1%. Considering the large number of downstream applications, and the growing domestic demand, Reinforced Materials market in China is anticipated to keep increasing and targeted to reach about RMB21.5 billion in 2014 from about RMB5.6 billion in 2008, representing a CAGR of about 25.3%.

According to Frost & Sullivan, among all applications of Reinforced Materials, the segment of outdoor materials constitutes the largest component and is expected to grow the fastest, with a CAGR of about 27.9% from 2008 to 2014. The portion of construction materials is estimated to grow at a CAGR of about 27.7% from 2008 to 2014, thanks to the emerging application of new type of Reinforced Materials such as TPU treated membrane structure, PVDF treated membrane structure, and polytetrafluoroethylene (PTFE) treated membrane structure which not only possess good performances as other Reinforced Materials but also has additional high properties, such as good self-cleaning performance, high flexibility, high strength, and light transmittance. Sports hall flooring materials, biogas tank materials, and logistics materials are estimated to grow at a CAGR above 26.0% from 2008 to 2014, at about 26.9%, 26.5%, and 26.0%, respectively.

The following chart sets forth the historical and forecasted breakdown (by application) of the Reinforced Materials market between 2006 and 2014 for China.

**Reinforced Materials Market: Manufacturing Revenue  
Breakdown by Application and Forecast (China), 2006-2014E**



Notes:

1. All data are rounded.
2. Others include packaging materials, medical materials, curtain materials, and so on.

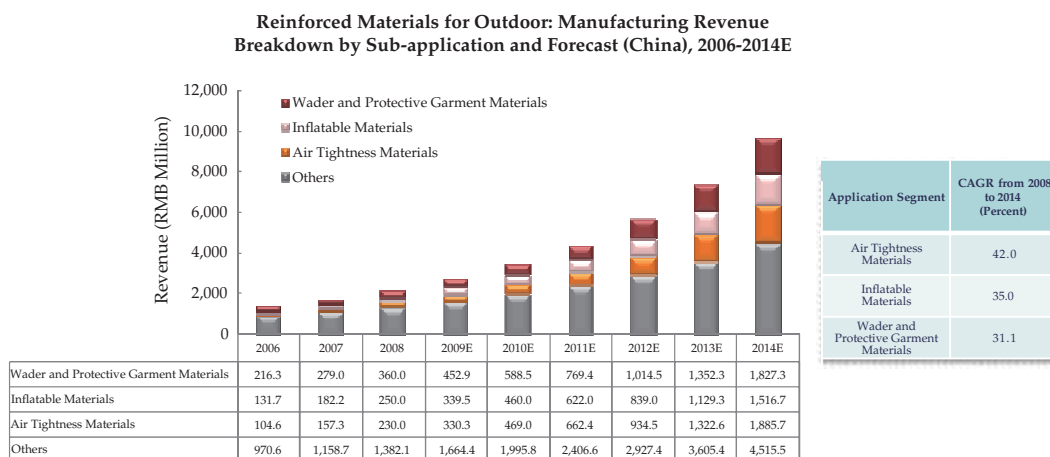
Source: Frost & Sullivan

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From 2006 to 2008, the percentage of outdoor Reinforced Materials compared with the whole Reinforced Materials in China has increased from about 38.2% to about 40.0% in terms of turnover. According to Frost & Sullivan forecast, about 45.4% of all Reinforced Materials in China is estimated to be outdoor Reinforced Materials in 2014.

Among all sub-applications of Reinforced Materials for outdoor materials, air tightness material (i.e. for producing inflatable boats) is the fastest growing one, growing at an estimated CAGR of about 42.0% from 2008 to 2014. Inflatable material (i.e. for producing inflatable toy) is estimated to grow at a CAGR about 35.0% from 2008 to 2014. Wader and protective garment materials (i.e. for producing waders and protective clothing) are estimated to grow at a CAGR about 31.1% from 2008 to 2014.

The following chart sets forth the historical and forecasted breakdown of the type of Reinforced Materials market for outdoor application between 2006 and 2014 for China.



Notes:

1. All data are rounded.
2. Others include pool materials, air bed materials, and so on.

Source: Frost & Sullivan

### Favorable Regulatory Environment

In later 2008, the PRC government announced a series of restructuring and revitalization plans for ten major industries including petrochemical industry which gets special supports under the plan. New chemical materials are one of the key segments under the petrochemical industry, therefore, new materials such as the Reinforced Materials are expected to benefit from this plan in terms of technology development, product development, and so on. Apart from central government, local governments such as Fujian provincial government have also been supportive to the development of the Reinforced Materials. For example, when manufacturers of new materials apply for a loan from bank, they are likely to gain interest subsidy from Fujian provincial government. Additionally, Fujian provincial government offers various incentives to encourage financial institutions to support the development of certain manufacturers of new materials.



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For the past five years, Fujian government has provided subsidy for new materials development in connection with research and development projects, obtaining international certificates such as ISO9000, innovative products, “well-known brands of Fujian Province”, and so forth. In most cases, the subsidy allocated to each item per company ranges from less than RMB100,000 to less than RMB1 million.

The subsidy the Group has received is at or above industry average. The amount provided by the local government is small relative to the Group’s business scale. Such subsidy mainly demonstrates the government’s supportive and persisting attitude to the development of new material, rather than serving as an essential source of capital for the Group.

### Key Industry Growth Drivers

Major factors contributing to the growth of the PRC Reinforced Materials market include:

- **Growth of Current Downstream End-Users Products Markets:** As a category of fine performance materials, Reinforced Materials have a wide range of applications, which are seen in a number of industries. With the stable economic growth in China, many such downstream end-user products markets have been growing rapidly. For example, outdoor recreation industry has witnessed a high growth rate in the past several years. Another example is that the Chinese waders and protective clothing industry expands as they are widely used in agriculture, chemical, and many other industries. The rapid and sustainable growth of downstream end-user products markets is essential to the growth of Reinforced Materials market from 2008 to 2014.
- **Rise of Emerging Applications:** With technological development, more applications are likely to be discovered for Reinforced Materials; biogas tank is one type of such emerging applications. As the Chinese government encourages clean energy development, biogas tank industry is estimated to grow quickly in the near future. Another emerging application is membrane structure in construction. As a recent innovation, membrane structure is light, energy saving, self-cleaning, and stylish. It is suitable for stadiums, railway stations, airports and other public buildings. Many other such emerging applications are anticipated to be seen in the future.
- **Increasing Product Diversification:** The large number of applications and great difference of customer needs have been driving the product range of Reinforced Materials to be more flexible and customized. With special functions innovated or enhanced, Reinforced Materials are likely to meet more customer needs, which is anticipated to drive the growth of Reinforced Materials market in China.

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- **Potential in High End Market:** At present, the majority of Reinforced Materials manufacturers are offering medium and low end products. Only a small number of large manufacturers are capable of producing high end products. As the demand for high end products in China is growing due to the favorable economic expectation, there is a potential in high end market for the large and competent manufacturers to grow. As the price of products is higher in such market segment, the growth of high end market is likely to increase the total manufacturing revenue of Reinforced Materials in China.

### Industry Outlook

- **Market Growth:** Downstream end-user products markets of Reinforced Materials are growing significantly. For instance, the Chinese outdoor recreation industry is witnessing a high growth rate as an increasing number of Chinese people are attending outdoor recreational activities. Total manufacturing revenue of Reinforced Materials in China has been growing steadily, reaching about RMB5.6 billion in 2008. Considering rapid growth of downstream applications, Reinforced Materials market in China is anticipated to keep increasing, touching a record high of about RMB21.5 billion in 2014.
- **Product Trends:** Driven by the increasing customers' requirements, the technology of PRC Reinforced Materials industry is improving quickly. The technology improvements focus on two aspects, product performance and product diversification. Customer-tailored product is expected to be a trend of Reinforced Materials, in terms of product appearance, function, and so on.
- **Technology Trends:** As the industry has been developing for only over a decade, technology, especially for producing high quality products, is lagging behind that of developed countries. With the technical development, domestic manufacturers are anticipated to gradually improve their production, technology, and are likely to be able to offer a wider range of product, from low to high end markets. For example, on top of coating process and lamination process, the combination of both processes has been seen adopted in the industry to leverage the advantages of both processes. In the future, local manufacturers are expected to offer products that are more customized in function and performance to better meet specific customer needs.
- **Raw Materials:** Major raw materials of Reinforced Materials include polymer (mostly PVC), polyester and additives. At present, the supply of PVC in China is sufficient. Production of high strength polyester increases quickly. The capacity for producing high strength polyester has witnessed high growth from 2006 to 2008. As a result, the supply of polyester currently exceeds the demand and the price is not expected to increase greatly in the short to medium term (from 2009 to 2014). The prices of major raw materials for the production of Reinforced Materials are relatively stable.

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### Competitive Landscape

According to Frost & Sullivan, competition in the Reinforced Materials industry is mainly based on the product quality and customization. Large scale manufacturers are frequently seen in medium and high end market, where product quality is better and margin is more favorable. However, high end market has many entry barriers that prevent medium scale manufacturers to enter whereas small scale manufacturers only provide low end products with less added value.

### Reinforced Materials Market: Competitive Landscape (China), 2008

Tiers of Competitors	<ul style="list-style-type: none"><li>• Large scale manufacturers are frequently seen in medium and high end market, where product quality is better and margin is favorable. Some of them provide low end products only when the amount of order reach a certain level.</li><li>• Middle scale manufacturers are footed in medium end market while trying to move to high end. However, producing high end products requires advanced technology and a considerable capital investment in equipment, which keep them distant from high-end market.</li><li>• Small scale manufacturers provide low end products with lower value added. Many of such manufacturers' business is focusing on offering various kinds of products, rather than Reinforced Materials.</li></ul>
Degree of Competition	Medium
Key Applications	<ul style="list-style-type: none"><li>• Outdoor</li><li>• Logistics</li><li>• Construction</li><li>• Biogas tank</li><li>• Sports hall flooring</li></ul>

According to Frost & Sullivan, the PRC Reinforced Materials market is fragmented with the top 5 manufacturers together accounted for about 14.9% of the market in 2008, each with market share close to each other within the range of 2.2% to 3.3%. The Group ranked number four with about 3.0% market share in terms of turnover in 2008 and, with a two-year CAGR of about 139.3%, the Group had a higher growth rate than the other top manufacturers and the industry average from 2006 to 2008. The market share of the Group increased to about 4.5% and was ranked number one in terms of turnover for the eight months ended 31 August 2009.

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According to Frost & Sullivan, the following illustrates the market share and ranking of the Group under the certain outdoor sub-sectors of the PRC Reinforced Materials market:

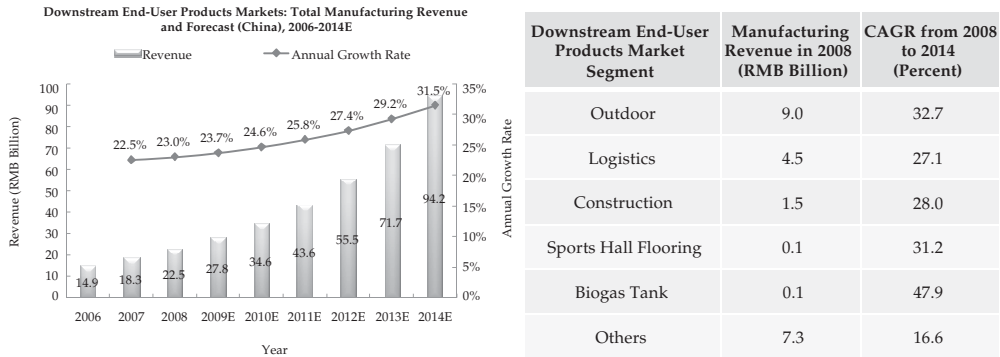
Type	For the year ended	For the eight months ended	For the year ended		For the eight months ended	
	31 December 2008	31 August 2009	31 December 2008		31 August 2009	
	Total Manufacturing Revenue	Total Manufacturing Revenue	The Group's Market Share	The Group's Ranking	The Group's Market Share	The Group's Ranking
	(RMB'billion)	(RMB'billion)	(%)		(%)	
Wader and protective garment materials	0.4	0.3	10.4	First	20.4	First
Inflatable materials	0.3	0.2	28.1	First	29.0	First
Air tightness materials	0.2	0.2	10.5	First	18.2	First

### DOWNSTREAM END-USER PRODUCTS MARKETS OF REINFORCED MATERIALS IN CHINA

Reinforced Materials are widely adopted in a large number of applications, seen in various industries, including outdoor, logistics, construction, renewable energy, sports hall flooring, and so on. With the economic development in China, downstream end-user products markets are experiencing a fast growth. Total downstream end-user products markets revenue was about RMB22.5 billion in 2008 and is forecasted to reach about RMB94.2 billion by 2014. As a key raw material to these end-user products, the Reinforced Materials market is expected to share the growth with downstream end-user products markets, too.

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The following chart sets forth the historical and forecasted of the total manufacturing revenue of downstream end-user products between 2006 and 2014 for China.

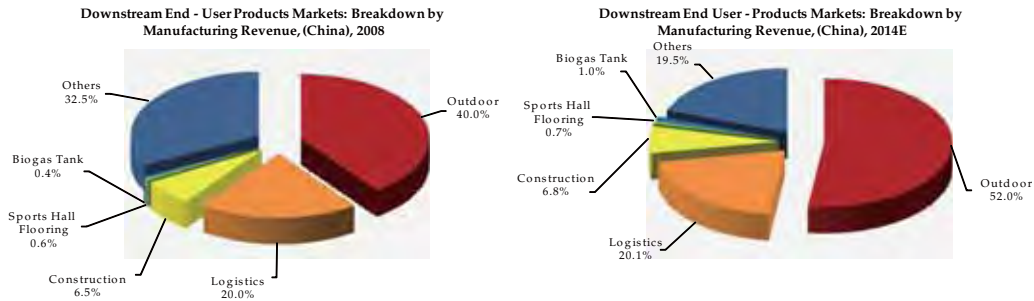


Notes:

1. All data are rounded.
2. Others include packaging, medical uses, curtain, and so on.

Source: Frost & Sullivan

The following chart sets forth the breakdown of the total revenue (by market) of downstream end-users products market between 2006 and 2014 for China.



Notes:

1. All data are rounded. The base year is 2008.
2. Others include labor protection, medical, advertising, and so on.

Source: Frost & Sullivan

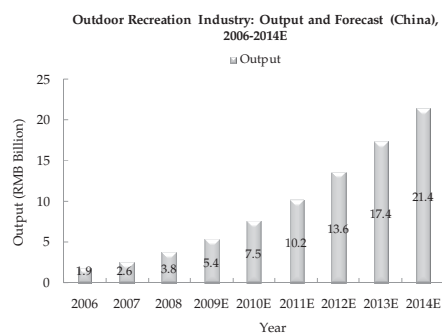
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Major Reinforced Materials Downstream End-User Products Markets include:

### *Outdoor Recreation Market*

Due to the improving living standard, increasing number of people take part in outdoor recreational activities, such as floating, fishing, mountaineering, skiing, camping, and so on. Outdoor recreation industry is estimated to witness a CAGR of about 33.5% from 2008 to 2014.

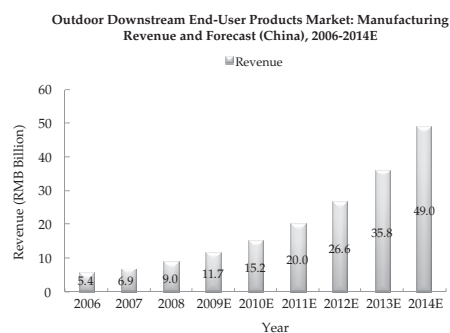
Among all downstream end-user products markets, the manufacturing revenue of outdoor downstream end-user products (refers to the market in which products are made of Reinforced Materials and used for outdoor purposes, such as waders and protective clothing, large scale inflatable toy, inflatable boat, pool, air bed, snowshoe, outdoor bag, tent, and so on.) is the largest one, reached about RMB9.0 billion in 2008, and is estimated to grow at a CAGR of about 32.7% from 2008 to 2014, surging to about RMB49.0 billion in 2014.



Note: All data are rounded.

Source:

1. Historical data: China Outdoor Commercial Association;
2. Projected data: Frost & Sullivan



Note: All data are rounded.

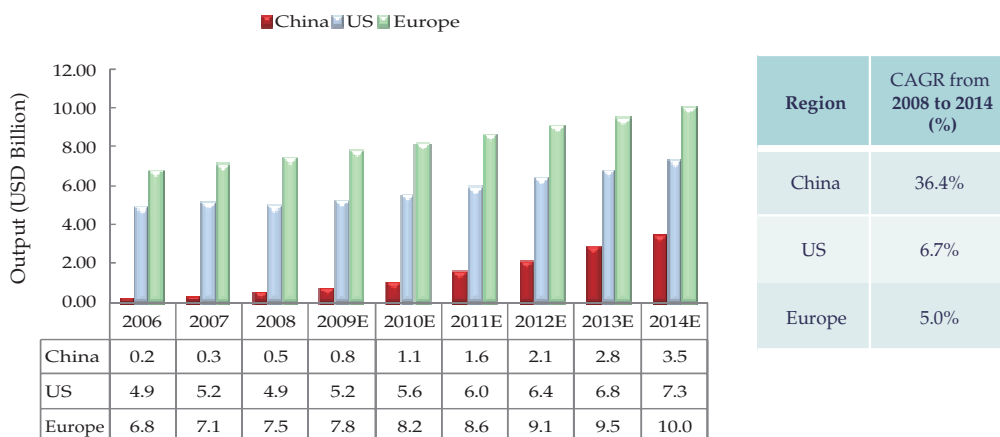
Source: Frost & Sullivan

The outdoor recreation industry in the U.S. was worth about USD4.9 billion in 2008; and in Europe, the size of outdoor recreation industry was about USD7.5 billion in the same year. From 2008 to 2014, the U.S. outdoor recreation industry is

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expected to grow at a CAGR of about 6.7%; and in Europe it is likely to grow at about 5.0%. Both U.S. and Europe outdoor market is huge in output, and is expected to witness a stable growth rate as follows:

**Outdoor Recreation Industry: Output Comparison among China, US, and Europe, 2006-2014E**



*Note: All data are rounded.*

*Source:*

1. *Historical data: Outdoor Industry Association (of US), the European Outdoor Group, and China Outdoor Commercial Association*
2. *Projected data: Frost & Sullivan*

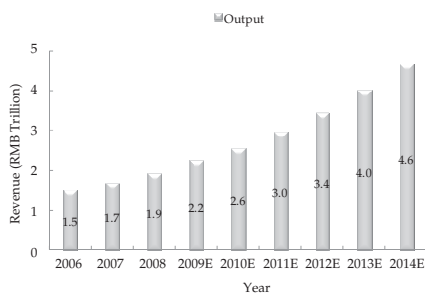
Comparing to U.S. and Europe, China's outdoor recreation industry is expected to grow at a higher rate. Chinese outdoor recreation industry achieved about USD0.5 billion in 2008, which was only about 10.9% of the value of the U.S. outdoor recreation industry. The Chinese outdoor recreation industry is anticipated to grow to about USD3.5 billion in 2014, at an estimated CAGR of about 36.4% from 2008 to 2014.

### *Logistics Market*

Continued economic development in China is expected to continue to drive the growth for logistics downstream end-user products market. The output of logistics industry increased by about 14.6% from about RMB1.7 trillion in 2007 to about RMB1.9 trillion in 2008 and according to Frost & Sullivan, Chinese logistics industry is expected to remain high growth rate in the near future. The output is estimated to be about RMB4.6 trillion in 2014, with CAGR of about 15.7% from 2008 to 2014. The main application of Reinforced Material for the logistics downstream end-user products market is covers for container trucks/trains and the logistics downstream end-user products market was the second largest downstream end-user products market of Reinforced Materials in China in 2008. In 2008, the manufacturing revenue of logistics downstream end-user products was about RMB4.5 billion, and is expected to increase to about RMB18.9 billion in 2014, holding a CAGR of about 27.1% from 2008 to 2014.

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**Logistics Industry: Output and Forecast (China), 2006-2014E**

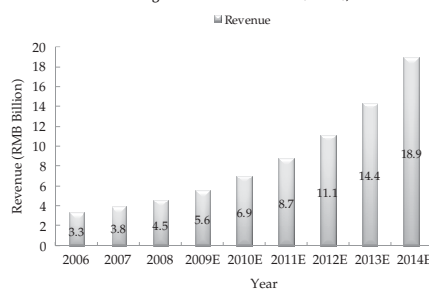


Note: All data are rounded.

Source:

1. Historical data: China Federation of Logistics and Purchasing
2. Projected data: Frost & Sullivan

**Logistics Downstream End-User Products Market Manufacturing Revenue and Forecast (China), 2006-2014E**



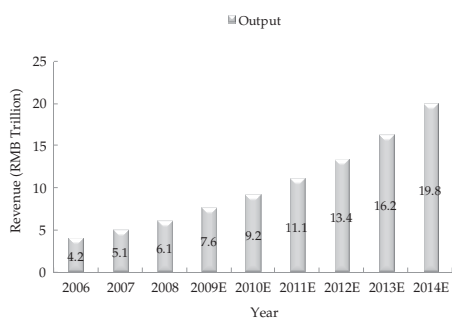
Note: All data are rounded.

Source: Frost & Sullivan

## Construction Market

Construction is an important industry for Chinese economy. The Chinese Government attaches much importance to the development of construction industry. As a mean of driving economy growth, the Chinese Governments has invested heavily in the construction of infrastructure. Also as a result of rapid urbanization process, real estate industry has also developed substantially in China. The construction downstream end-user products market is the third largest downstream end-user products market of Reinforced Materials in China. In construction, membrane structure is expected to be a growing emerging application. The manufacturing revenue of the construction downstream end-user products is expected to rise from about RMB1.5 billion to about RMB6.4 billion, or a CAGR of about 28.0% from 2008 to 2014.

**Construction Industry: Output and Forecast (China), 2006-2014E**

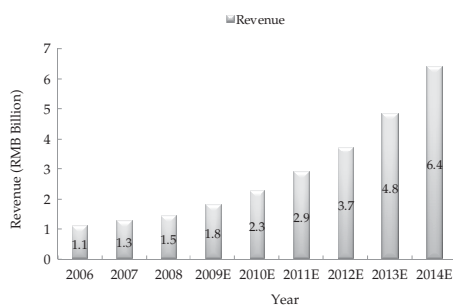


Note: All data are rounded.

Source:

1. Historical data: National Bureau of statistics of China
2. Projected data: Frost & Sullivan

**Construction Downstream End-User Products Market: Manufacturing Revenue and Forecast (China), 2006-2014E**



Note: All data are rounded.

Source: Frost & Sullivan



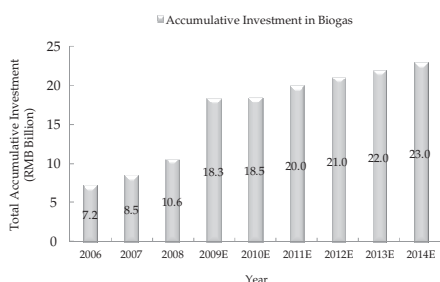
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### Biogas Tank Market

As biogas is a kind of renewable energy, Chinese Government encourages the development of biogas industry. In 2007, China has issued *the China's National Climate Change Program* (《應對氣候變化國家方案》). Since then, the government has swiftly adopted measures ranging from laws, economy, administrative measures and technology which combine to reduce greenhouse gas emissions and imbue the country with a flexible approach to climate change. In 2008, new investment of biogas project in China was about RMB10.6 billion. It is estimated to increase to about RMB23.0 billion in 2014, with CAGR of about 13.8% from 2008 to 2014.

Reinforced Materials can be made into biogas tank, which functions as generator and/or a storage for sewage gas. As a result of the aforementioned factors, the production of biogas tank is expected to witness a strong growth. The manufacturing revenue of biogas downstream end-user products is forecast to increase from about RMB89.8 million in 2008 to about RMB941.5 million in 2014, with CAGR of about 47.9% from 2008 to 2014.

Biogas Industry: New Investment and Forecast (China), 2006-2014E

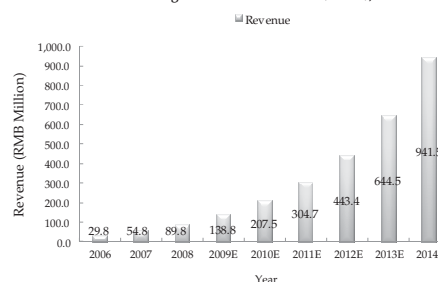


Note: All data are rounded.

Source:

1. Historical data: Ministry of Agriculture of the People's Republic of China
2. Projected data: Frost & Sullivan

Biogas Tank Downstream End-User Products Market: Manufacturing Revenue and Forecast (China), 2006-2014E



Note: All data are rounded.

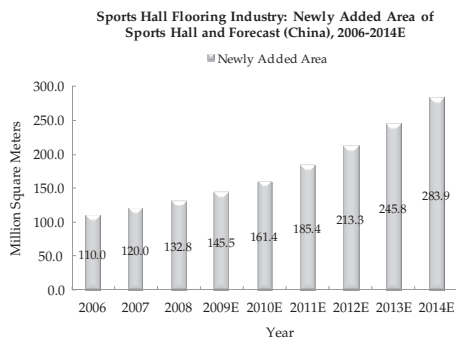
Source: Frost & Sullivan

### Sports Hall Flooring Market

As per capita income increases, Chinese people, especially urban residents have become more interested in participating in sports activities. In addition, the 2008 Olympic Games in Beijing has generated people's passion for sports in the long run. These are estimated to lead to increase in demand for sports venues. In 2008, area of added sports venues was about 132.8 million square meters. In 2014, area of added sports venues is forecasted to increase to about 283.9 million square meters, with CAGR of about 13.5% from 2008 to 2014.

## INDUSTRY OVERVIEW

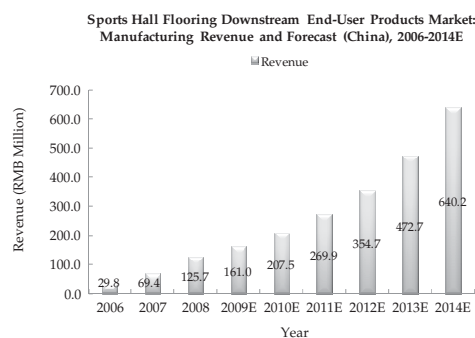
Reinforced Materials can be used to produce sports hall flooring. Driven by increasing construction of sports venues, the manufacturing revenue of sports hall flooring downstream end-user products is forecast to increase quickly, from about RMB125.7 million in 2008 to about 640.2 million in 2014, with a CAGR of about 31.2%.



Note: All data are rounded.

Source:

1. Historical data: National Bureau of Statistics of China, General Administration of Sport of China
2. Projected data: Frost & Sullivan



Note: All data are rounded.

Source: Frost & Sullivan

### REPORTS COMMISSIONED FROM FROST & SULLIVAN

Frost & Sullivan, an independent market research and consulting company was commissioned by the Company to conduct an analysis of, and to report on, the Reinforced Materials market and related downstream end-user products markets in the PRC for the period from 2006 to 2014. The report commissioned has been prepared by Frost & Sullivan independent of the Group's influence. The Group paid Frost & Sullivan fees of RMB380,000, which the Group considers as reflecting market rates. Founded in 1961, Frost & Sullivan has 35 global offices with more than 1,800 industry consultants, market research analysts, technology analysts and economists. Its services include technology research, market research, economic research, corporate best practices advising, training, customer research, competitive intelligence and corporate strategy. Based in the United States, it has been covering the Chinese market from its offices in China since the 1990's.

The Frost & Sullivan's report that the Group commissioned includes information on the Reinforced Materials market, downstream end-user products markets of Reinforced Materials and other economic data, which have been quoted in this prospectus. Frost & Sullivan's independent research was undertaken through both primary and secondary research obtained from various sources within the PRC. Primary research involved interviewing 60 leading industry participants from 25 companies as well as industry experts, and 20 end-users in 10 cities. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected total market size in the PRC were obtained from historical data analysis plotted against macroeconomic data as well as specific related industry drivers such as increasing disposable income, rise of emerging applications, increasing product diversification, and potential in high-end products market mapped against available projected drivers obtained through interviews with industry experts and participants.

## INDUSTRY OVERVIEW

Frost & Sullivan's report was compiled based on the below assumptions:

- China's economy would be able to maintain steady growth in the next decade, even under the global financial crisis;
- China's social, economic, and political environment would remain stable in the forecast period, which ensures the stable development of Reinforced Materials industry;
- Growth of current downstream end-user products markets will drive the development of PRC Reinforced Materials industry;
- With technological development, more applications for Reinforced Materials would be discovered in China;
- The product range of Reinforced Materials in China would be more flexible and customized; and
- The growth potential of high end market would lead to an increase in the total manufacturing revenue of Reinforced Materials in China.