

INDUSTRY OVERVIEW

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Certain information and statistics are extracted from an industry report prepared by Strategic Analysis Inc., dated 27 August 2010, or SAI Report. The information extracted from the SAI Report reflects an estimate of the market conditions based on Strategic Analysis Inc.'s research and analysis. The information extracted from the SAI Report should not be viewed as a basis for investments provided by Strategic Analysis Inc. and references to the SAI Report should not be considered as Strategic Analysis Inc.'s opinion as to the value of any security or the advisability of investing in our Company. While reasonable care has been taken in the extraction, compilation and reproduction of such information and statistics, the same has not been independently verified, and there is no representation as to the accuracy of such statements or information. The information and statistics may not be consistent with other information and statistics compiled within or outside China.

SOURCE OF INFORMATION

The SAI Report

Our Group commissioned Strategic Analysis Inc., or SAI, an Independent Third Party consultancy firm, to perform an independent research on, among other things, the market conditions of ethylene oxide and non-ionic surfactant products, in particular the AEO surfactants, in China. Whilst there is a commission fee of US\$25,500 involved, the Directors are of the view that the payment of the commission fee does not affect the fairness of conclusions drawn in the SAI Report.

Founded in 1977, SAI is a private consultancy firm with its headquarters in Pennsylvania, the United States. It is an international business research consulting firm with operations in major regions of the world including North America, South America, Europe and Asia. Services provided by SAI include market assessments, competitive benchmarking, strategic and market planning which serve a variety of industries including chemicals, metals, ceramics and automotive industries.

In compiling the SAI report, employees of SAI who specialise in the ethylene oxide/surfactants industry conducted primary and secondary researches in the form of field interviews, market analysis and forecasts on the industry trend and development. Throughout the process, SAI utilised its proprietary, in house data base as well as publicly available published information from government agencies and private organisations in China. According to the SAI Report, all information so collected was cross checked and verified to the extent possible through primary interviews with ethylene oxide and surfactant producers in China.

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All forecasts including forecast value of ethylene oxide and AEO surfactants demand and production set out in the SAI Report are made based on the parameters and assumptions that: in the case of ethylene oxide demand value and production value, a fixed average price of RMB12,286/MT; in the case of AEO surfactants demand value and production value, a fixed average price of RMB13,900/MT; and in both cases, an exchange rate of US\$1=RMB6.83. The fixed average price of ethylene oxide is based on the price fixed by a state-owned company in the PRC, whereas the fixed average price of AEO surfactants is based on data obtained from field interviews conducted by SAI with numerous AEO manufacturers and industry experts.

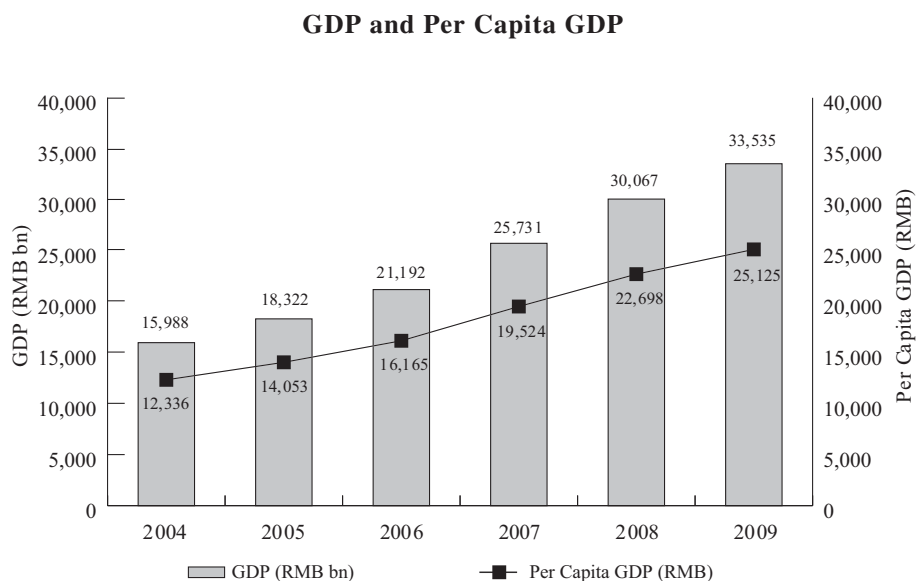
The National Bureau of Statistics of China

The National Bureau of Statistics of China is an agency directly under the State Council in charge of statistics and economic accounting in China. The National Bureau of Statistics of China is an Independent Third Party. The information disclosed in this prospectus extracted from the National Bureau of Statistics of China is official public information and was prepared in the ordinary course of the National Bureau of Statistics of China's activities.

OVERVIEW OF THE PRC ECONOMY

GDP and per capita GDP

Since China's adoption of the open door policy in the late 1970s, it has experienced significant economic growth and social progression. According to the National Bureau of Statistics of China, the national GDP grew from RMB15.99 trillion in 2004 to RMB33.54 trillion in 2009, representing a CAGR of 16.0%. In line with its GDP growth, China's per capita GDP also rose from RMB12,336 in 2004 to RMB25,125 in 2009. The following chart sets forth the PRC's GDP and per capita GDP from 2004 to 2009:



Source: National Bureau of Statistics of China.

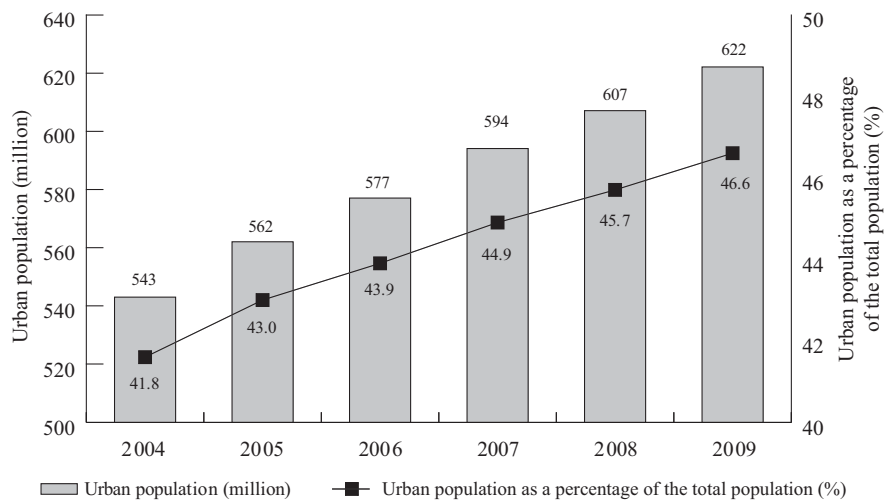
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In view of the global financial crisis which started in late 2008, the PRC government implemented a RMB4 trillion economic stimulus plan in November 2008, which targeted mainly areas of domestic consumption, infrastructures, residential housing etc. As evident from the above figures, the PRC economy has responded positively to the plan, with the nation's GDP boosted by 11.5% in 2009 over that of 2008.

Urbanisation and annual urban disposable income

The economic growth in China has been accompanied by rapid urbanisation. According to the National Bureau of Statistics of China, the total urban population in China increased from 543 million as of the end of 2004 to 622 million as of the end of 2009, representing a CAGR of 2.8% over the five-year period. Alternatively, the urban population as a percentage of the total population increased from 41.8% to 46.6% during the same period. The following chart sets forth the total urban population and urban population as a percentage of the total population in China as of the end of periods indicated:

Absolute and relative growth of urban population in China



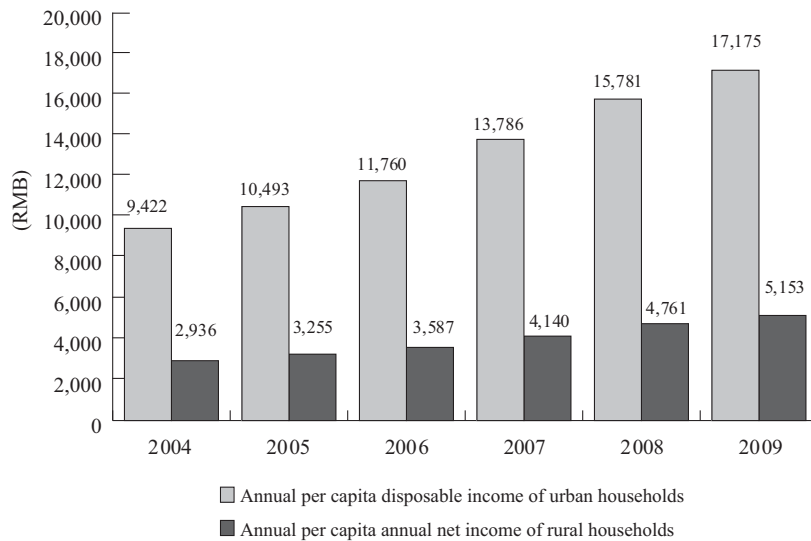
Source: National Bureau of Statistics of China.

Amidst strong GDP and urbanisation growth, annual urban disposable income in China grew rapidly in the six year period between 2004 and 2009. According to the National Bureau of Statistics of China, the annual per capita disposable income of urban households in China increased from RMB9,422 in 2004 to RMB17,175 in 2009, representing a CAGR of 12.8%, implying increased purchasing power for urban households throughout China. Over the same period, the annual per capita disposable income of rural household also increased from RMB2,936 to RMB5,153, representing a CAGR of 11.9%.

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The following chart sets forth the growth in annual disposable income for urban and rural areas from the year end of 2004 to that of 2009:

Per capita income growth of urban and rural households

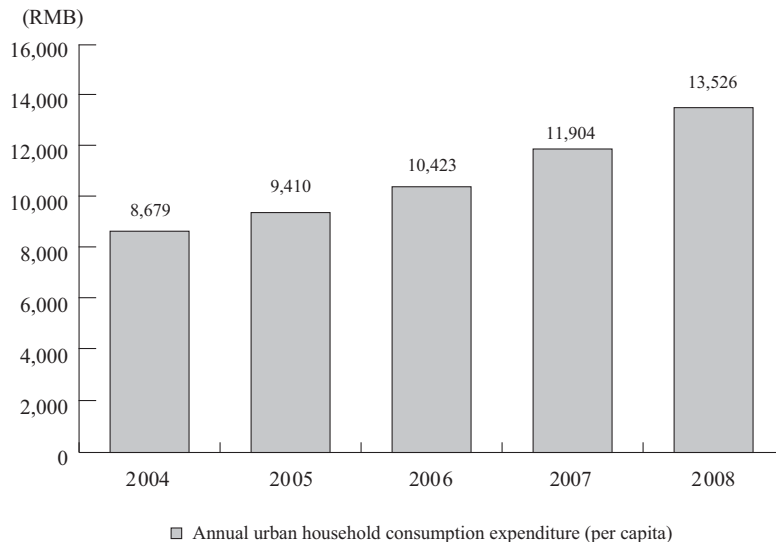


Source: National Bureau of Statistics of China.

Consumption market in China

In light of the aforementioned growth in urbanisation, annual urban disposable income and hence, purchasing power, the annual total consumption expenditure of urban households has continued to surge during the five year period from 2004 to 2008. According to the National Bureau of Statistics of China, the annual total per capita consumption expenditure of urban households increased from RMB8,679 to RMB13,526 in the same period, representing a CAGR of 11.7%. The following chart sets forth the annual total per capita consumption expenditure of urban households for each of the years indicated:

Annual per capita urban household consumption expenditure

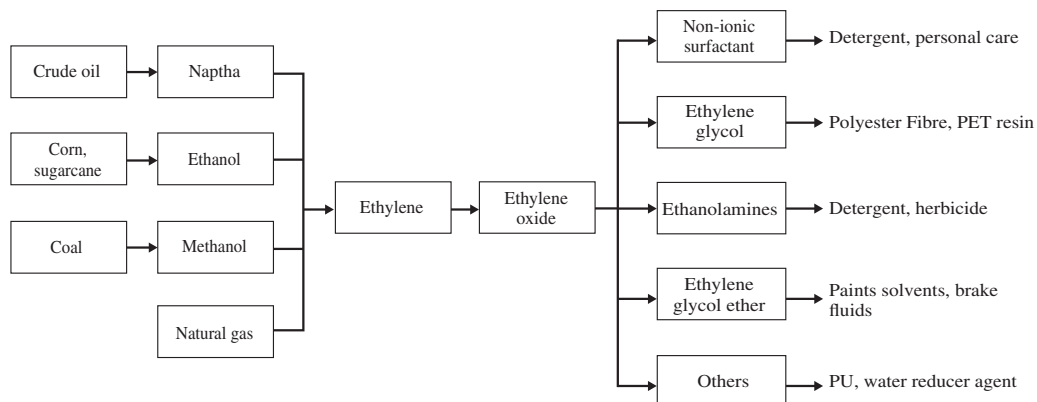


Source: National Bureau of Statistics of China.

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OVERVIEW OF ETHYLENE OXIDE AND NON-IONIC SURFACTANTS

The following industry value chain sets forth an overview of the position of ethylene oxide in respect of its upstream and downstream markets:



Ethylene oxide and its applications

Ethylene oxide is an ethylene derivative product which is mainly used for the production of ethylene glycol, ethanolamine, glycol ethers and various series of surfactants in China. Ethylene oxide can also be used as a sterilant, fumigant and fungicide in the manufacture of medical products and spices, and to manufacture antifreeze agent, synthetic detergent, emulsifier, plasticiser, lubricant and rubber and synthetic resin.

Ethylene oxide is produced by catalytically reacting ethylene and oxygen through direct oxidation process. Ethylene oxide is a highly reactive and potentially explosive, colourless, low boiling point liquid or gas with an ether like odour. The following table sets forth the material details of ethylene oxide:

Product category	:	ethylene derivative products
Raw materials	:	ethylene, oxygen
Formula	:	C_2H_4O
Synonyms	:	oxirane, epoxyethane
CAS number	:	75-21-8

Please refer to the sections headed “Business – Products and services – Our products – Ethylene oxide” and “Business – Our production – Our production process – Ethylene oxide” in this prospectus for further details on ethylene oxide and its manufacturing process.

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Surfactants and their applications

Surfactant is a complex substance containing phospholipids and a number of apoproteins. Surfactants are capable of lowering the surface tension of a liquid or the interfacial tension between two liquids. When dissolved in water, surfactants are capable of removing dirt and small loose particles from surfaces such as textiles, human skin, metal and other solids. There are numerous categories of surfactant products, including anionic, cationic, zwitterionic and non-ionic surfactants, each of which are characterised by their type of electric charge and reactivity against water hardness.

AEO surfactants are one of the main surfactant products within the non-ionic surfactants category, and are primarily used in the production of downstream products such as AES, liquid detergents, cosmetics and ointments products.

AEO surfactants generally take the form of either colourless liquid or milky paste. Please refer to the sections headed “Business – Products and services – Our products – Surfactants” and “Business – Our production – Our production process – Surfactants” in this prospectus for further details on AEO surfactants and their manufacturing process.

The following table sets forth the material details of AEO surfactants:

AEO surfactants	
Product series	: fatty alcohol polyoxyethylene ether series
Raw materials	: fatty alcohol and ethylene oxide
Formula	: $C_{12-14}H_{25-29}O(CH_2CH_2O)_nH$
CAS number	: 9002-92-0

CHINA'S ETHYLENE OXIDE MARKET

Overview

According to the SAI Report, China's ethylene oxide market consists of ethylene oxide that is (i) used internally to produce surfactants and other chemical products other than ethylene glycol; and (ii) sold in the market to companies that consume ethylene oxide for the production of surfactants and other chemical products. Alternatively, ethylene oxide that is used to produce ethylene glycol is not included as part of China's ethylene oxide market. According to the SAI Report, ethylene oxide/ethylene glycol production plants of ethylene glycol manufacturers are highly integrated units where ethylene oxide produced from the ethylene oxide reaction system is directly consumed to produce ethylene glycol. Therefore, ethylene oxide that is used to produce ethylene glycol, being an intermediate product, is not sold in open market and thus does not constitute part of the ethylene oxide market. It is also the industry practice for manufacturers to exclude ethylene oxide which is consumed in the production of ethylene glycol when reporting their aggregate production volume of ethylene oxide. For the purpose of this prospectus, the statistics in relation to demand and production of ethylene oxide shall exclude those of ethylene oxide which is consumed in the production of ethylene glycol.

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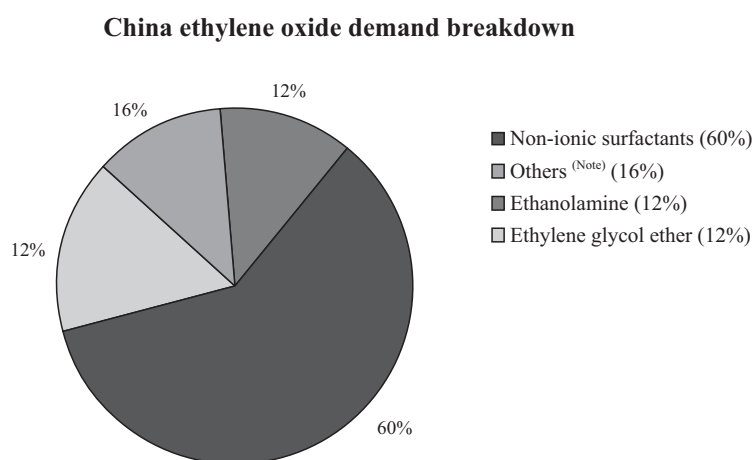
To date, China's ethylene oxide market remains relatively domestic, in that the supply and demand of ethylene oxide in China are currently and expected to be highly dominated and satisfied by domestic producers and users. Alternatively, the import and export level of ethylene oxide in China is currently and expected to remain at a minimal level. This is mainly due to the hazardous characteristics of ethylene oxide, the transportation of which is extremely difficult. In essence, the supply and demand of ethylene oxide in China are and will continue to be largely unaffected by that of the global ethylene oxide market, as illustrated in the following sections.

Demand for ethylene oxide in China

According to the SAI Report, approximately 75% of the ethylene oxide produced in China is used for the production of ethylene glycol. However, as ethylene oxide that is used to produce ethylene glycol in China is entirely supplied through integrated production systems by the ethylene glycol manufacturers, ethylene oxide is generally not traded on the market for the purpose of ethylene glycol production. Therefore, the demand for ethylene oxide for the purpose of ethylene glycol production shall not be counted towards the demand for ethylene oxide in the market.

The demand for ethylene oxide in China is closely correlated with its downstream production activities. In particular, the consumption of ethylene oxide is highly driven by the production of non-ionic surfactants. In May 2010, the production of non-ionic surfactants accounted for 60% of the total consumption of ethylene oxide in China. The remaining 40% of the total consumption was occupied by the production of other minor downstream products, including ethanolamine, ethylene glycol ethers and other chemicals. Ethanolamine are generally used to produce desulfurisation chemical and chemical intermediates, while ethylene glycol ether are used in certain paint and coating applications.

The following chart sets forth a breakdown of the demand for ethylene oxide in China in May 2010:



Source: SAI Report.

Note: Others represent downstream products including detergents, pharmaceutical applications, dyes and rubber products etc.

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According to the SAI Report, it is expected that the market for non-ionic surfactant will continue to dominate the demand for ethylene oxide in China. This is mainly due to the expected persistence in demand for non-ionic surfactants from detergent and cleaning product manufacturers and the textile industry.

According to the SAI Report, China's demand for ethylene oxide grew from 425,513 MT (in volume) or US\$556.4 million (in value) in 2005 to 725,531 MT (in volume) or US\$1,078.5 million (in value) in 2009. Due to increasing demand from the downstream industries, China's demand for ethylene oxide has continued to grow despite the financial crisis in 2008 and 2009. Further, such demand is expected to remain strong, with a projected growth at a CAGR of 17% from 2009 to 2014, reaching 1,564,017 MT in volume by the end of the five year period, or a total value of US\$2,813.6 million. This is primarily due to an expected growth in demand for ethylene oxide from the non-ionic surfactants downstream industries, and in particular, manufacturers of detergent and cleansing products.

Export of ethylene oxide

Due to the limitations in the transportation of ethylene oxide, ethylene oxide produced in China is almost completely used for domestic applications, with exports from China standing at a low level of 3 MT in 2009 and even lower volumes in 2007 and 2008. According to the SAI Report, the price of exported ethylene oxide, not including transportation, is slightly higher than the domestic selling price. However, should transportation costs be taken into account, such selling price will no longer be competitive in global markets. According to the SAI Report, it is expected that this trend will continue up to 2014.

Further graphical illustrations of the demand for ethylene oxide are set out in the subsection headed "China's ethylene oxide market – Supply of ethylene oxide in China" in this section.

Supply of ethylene oxide in China

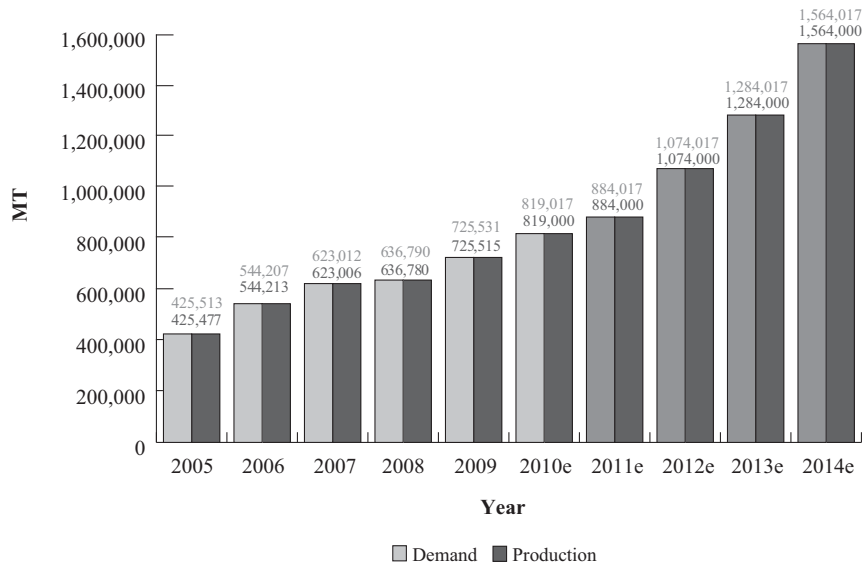
The supply of ethylene oxide in China is mainly satisfied by domestic production. According to the SAI Report, the total domestic production of ethylene oxide in China totalled at the volume of 725,515 MT, or value of US\$1,078.2 million in 2009, occupying approximately 99% of the total supply of ethylene oxide in China. In contrast, imports of ethylene oxide accounted for less than 1% of the total domestic consumption from 2005 to 2009.

Given the expected increase in demand for ethylene oxide and nationwide production capacity, it is projected that the domestic production of ethylene oxide in China will increase at a CAGR of 17% in volume or 21% in value to 1,564,000 MT or US\$2,813.4 million respectively in 2014. On the other hand, it is predicted that imports of ethylene oxide will only grow by less than 1% from 2009 to 2014.

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The following charts set forth the historical and forecasted growth of demand and supply of ethylene oxide in terms of production volume and value for the periods from 2005 to 2009 and 2010 to 2014 respectively:

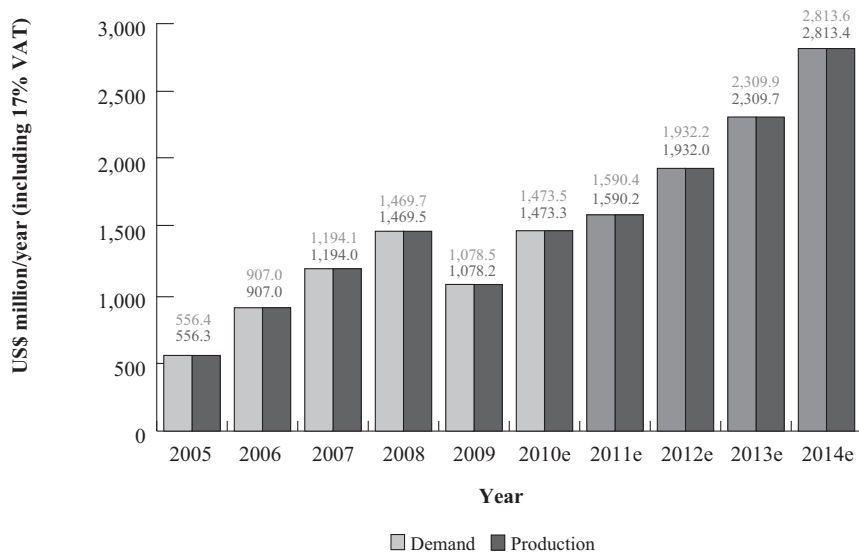
China annual ethylene oxide demand and production volume, MT/year



Source: SAI Report.

Note: The demand volume of ethylene oxide is equivalent to the domestic consumption, which is the sum of domestic production and imports less exports.

China annual ethylene oxide demand and production value, US\$ million/year (including 17% VAT)



Source: SAI Report.

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Notes:

- (1) The production value of ethylene oxide represents the production volume of ethylene oxide multiplied by its average price for each respective year. The production volume represents the ethylene oxide (i) used internally to produce surfactants and other chemical products other than ethylene glycol; and (ii) sold in the market to companies that consume ethylene oxide for the production of surfactants and other chemical products.
- (2) The demand value of ethylene oxide represents the demand volume of ethylene oxide multiplied by its average price for each respective year.

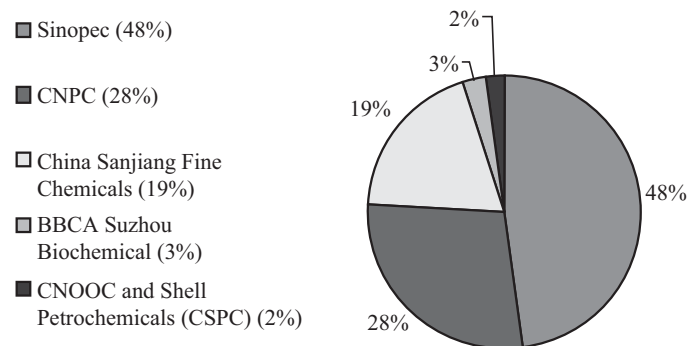
Competitive landscape of ethylene oxide supply in China

Domestic competition in supply of ethylene oxide

According to SAI Report, the domestic ethylene oxide supply market in China currently consists of several state-owned and privately-owned corporations, including China Petroleum and Chemical Corporation (also known as Sinopec) and China National Petroleum Corporation (also known as CNPC). According to the SAI Report, as at 31 December 2009, the domestic ethylene oxide supply market has been largely dominated by the two aforementioned state-owned suppliers, with Sinopec leading the production capacity and actual production volume at 339,600 MT/year and 350,000 MT/year respectively in 2009. CNPC was the second largest domestic ethylene oxide supplier in 2009, with a production capacity and actual production volume of 185,000 MT/year and 203,000 MT/year respectively. Alternatively, Sinopec and CNPC occupied 48% and 28% of the domestic supply market in terms of production volume and value in 2009 respectively. With a production capacity and actual production volume of 120,000 MT/year and 140,515 MT/year respectively in 2009, China Sanjiang Fine Chemicals Company Limited was the third largest domestic ethylene oxide supplier and the largest privately-owned domestic ethylene oxide supplier in 2009. In light of the expected expansion in domestic production lines, it is projected that the domination by state owned suppliers may be reduced by a significant amount, with several other suppliers occupying more of the market supply of ethylene oxide in China.

The following chart sets forth the market share of ethylene oxide supply in terms of production volume for 2009 in China:

2009 China ethylene oxide market share by production volume



Source: SAI Report.

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The following table sets forth the five largest producers of ethylene oxide (excluding ethylene oxide consumed in the production of ethylene glycol) in terms of designed production capacity, actual production volume and production value in 2009:

No.	Company	Designed Production Capacity (MT)	Actual Production Volume (MT)	Production value (US\$ million/year)
1	China Petroleum and Chemical Corporation (中國石油化工股份有限公司)	339,600	350,000	520.2
2	China National Petroleum Corporation (中國石油天然氣集團公司)	185,000	203,000	301.7
3	China Sanjiang Fine Chemicals Company Limited (中國三江精細化工有限公司)	120,000	140,515	208.8
4	BBCA Suzhou Biochemical Co., Ltd. (豐原宿州生物化工有限公司)	20,000	20,000	29.7
5	CNOOC and Shell Petrochemicals Co., Ltd (中海殼牌石油化工有限公司)	12,000	12,000	17.8

Source: SAI Report.

According to the SAI Report, even if ethylene oxide consumed in the production of ethylene glycol were considered as part of the ethylene oxide market, China Sanjiang Fine Chemicals Company Limited would still rank as the largest privately-owned manufacturer and the third largest manufacturer of ethylene oxide in China in terms of production volume and value.

According to the SAI Report, there are currently 12 ethylene oxide producers in China as at 31 December 2009 and it is expected that only three new commercial producers will enter into the market by 2014, namely Sanjiang Honam in 2011, Oxiran Chemical Co., Ltd. in 2013 and Sinopec-BASF joint venture in 2014. This is primarily due to the nation's burdensome entry barriers into the ethylene oxide market and the difficulty in securing ethylene supply in China. Please refer to the section headed "Business – Our competitive strengths – High entry barriers to the ethylene oxide manufacturing industry thereby limiting competition from new entrants" in this prospectus for further details on the entry barriers into the ethylene oxide market.

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External competition in supply of ethylene oxide

Supply of ethylene oxide from external competitors was and will continue to be extremely low as the supply of ethylene oxide in China was and will continue to be highly dominated by domestic production. As aforementioned, imported ethylene oxide accounted for a very minor proportion of domestic consumption in the past. This is mainly because ethylene oxide in both its gaseous and liquid forms are potential fire and explosion hazards, making transportation extremely difficult. As such, imported ethylene oxide has a much higher price in comparison to that of domestically produced ethylene oxide, according to the SAI Report. It is therefore expected that the amount of ethylene oxide imported into China will continue to occupy a minor proportion of the total supply of ethylene oxide in China. According to the SAI Report, imported ethylene oxide will continue to account for less than 1% of domestic consumption, with 20 MT imported annually.

Production technology

As aforementioned, ethylene oxide is produced by direct oxidation of ethylene. According to SAI Report, in the current market, direct oxidation process technologies in China are dominated by technologies licensed by Dow, Shell, and Scientific Design Company, Inc. There are slight differences among these technologies. The production technology of Scientific Design Company, Inc. involves a direct oxidation catalyst that has a higher ethylene oxide selectivity range, or ethylene to ethylene oxide conversion rate, of 81.9% to 91.0%, under the reaction temperature between 232°C to 255°C. In comparison, other production technologies may only yield an ethylene oxide selectivity range of 81% to 83% under the same reaction temperature.

Pricing of ethylene oxide and raw materials sourcing in China

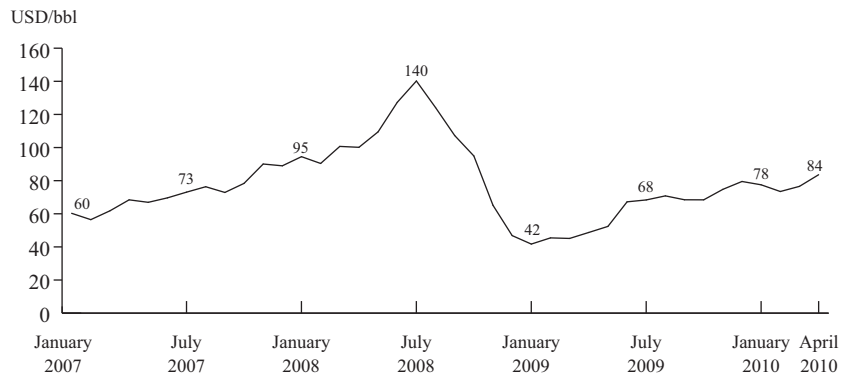
In general, the price of ethylene oxide is influenced by the costs of its raw material inputs, namely ethylene, and the supply-demand balance within the market. As a petrochemical product, the price of ethylene corresponds closely with the price of crude oil, which is highly responsive to the economic and political developments in crude oil producing regions and the global economic conditions. The average prices of ethylene oxide per MT in the PRC from 2007 to 2009 were approximately RMB14,565, RMB15,761 and RMB10,151 respectively, and the average price of the same from January to April 2010 was RMB12,286.

According to the SAI Report, as at 31 December 2009, domestic ethylene supply in China was dominated by Sinopec and CNPC. The rest of such domestic supply was produced by several smaller joint venture ethylene producers established by state-owned enterprises and foreign entities. However, approximately 98% of such domestically produced ethylene is for internal use by the respective producers to produce various downstream ethylene products, according to the SAI Report. Alternatively, only 2% of the domestically produced ethylene is traded in the open market.

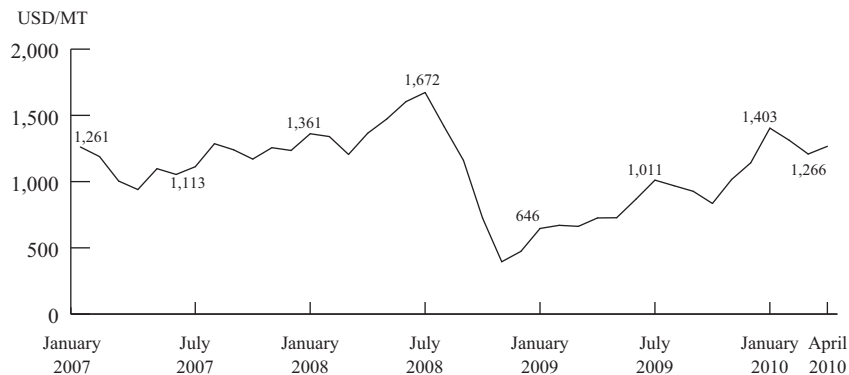
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The following charts set forth the historical prices of crude oil, ethylene and ethylene oxide:

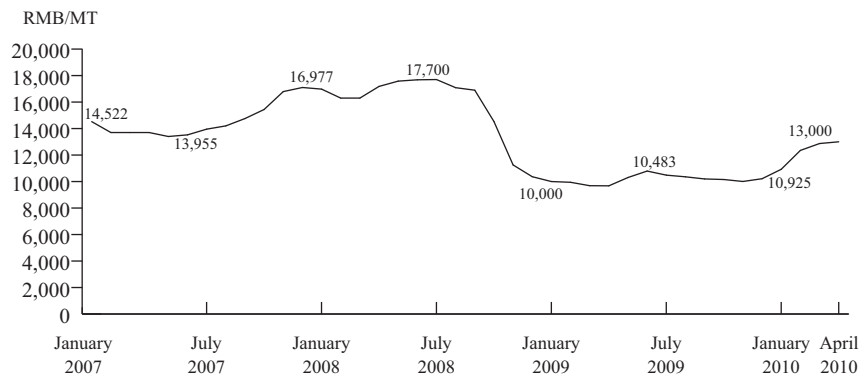
European Brent Blend Crude Oil Spot Price



Ethylene Asia Pacific Spot CFR N. E. Asia



China Ethylene Oxide Price



Source: SAI Report.

Please refer to the section headed “Risk factors – Risks relating to the industry in which we operate – Fluctuations in the prices of crude oil and refined products may adversely impact our profit margins and results of operations” in this prospectus for further details on crude oil and its effect on ethylene pricing.

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CHINA'S NON-IONIC SURFACTANTS MARKET

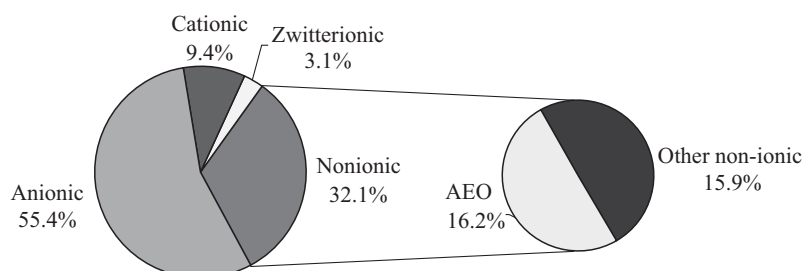
For the purpose of this prospectus, the following subsections will focus primarily on non-ionic surfactants, in particular, the AEO surfactants.

Overview of the surfactants market in China

According to the SAI Report, in 2009, the total production of surfactants in China stood at a level of 1,760,000 MT, amongst which the non-ionic surfactants accounted for 565,000 MT, or 32.1%. Of all non-ionic surfactants produced, AEO surfactants accounted for 50%. Alternatively, AEO surfactants accounted for 16.2% of all surfactants produced in China respectively. Other non-ionic surfactant types made up the remaining 50% of non-ionic surfactants, or 15.9% of all surfactants produced. Anionic surfactants accounted for the largest share of surfactants produced in China, at 55.4% of the total surfactant production market.

The following chart and table set forth the breakdown of China's surfactant production volume in 2009:

2009 China surfactant production breakdown by volume



Surfactant type	Production, MT	Percentage
Anionic	975,000.00	55.4%
Cationic	165,000.00	9.4%
Zwitterionic	55,000.00	3.1%
Non-ionic		
AEO	285,000.00	16.2%
Other non-ionic	280,000.00	15.9%
Total	1,760,000.00	100.0%

Source: SAI Report.

The AEO surfactants market in China

Demand for AEO surfactants in China

The main customers of AEO surfactants in the China market are primarily downstream manufacturers of household and industrial detergent, industrial surfactants, and sodium fatty alcohol ether sulphate (AES). Industrial surfactants can be used in a variety of downstream industries, including textiles, paper, metal, agriculture, construction materials, petrochemicals, and leather processing. AES is generally used to produce household and industrial cleaning products, such as soaps.

According to the SAI Report, the downstream application in industrial and household detergents accounted for 46% of the total demand for AEO surfactants in China, rendering them the largest nation wide demand for AEO surfactants in 2009. In addition, AES producers accounted for 36%, with various other downstream industries accounting for 18% of the total demand for AEO surfactants in China.

According to the SAI Report, the total demand for AEO surfactants in China reached a volume of 419,500 MT, or value of US\$835.3 million in 2009. Due to a forecasted increase in demand for downstream products of AEO surfactants, it is projected that the AEO surfactants demand in China will experience growth at a CAGR of 5%, reaching 529,500 MT or US\$1,077.6 million by 2014.

Export of AEO surfactants

China's domestically produced AEO surfactants are mainly sold or consumed in the domestic market. According to the SAI Report, domestic producers export approximately 500 MT of AEO surfactants per year. Such volume represents less than 1% of the total AEO surfactants produced in China per year from 2007 to 2009.

Further graphical illustrations of the demand for AEO surfactants in China are set out in the subsection headed "China's non-ionic surfactants market – The AEO surfactants market in China – Supply of AEO surfactants in China" in this section.

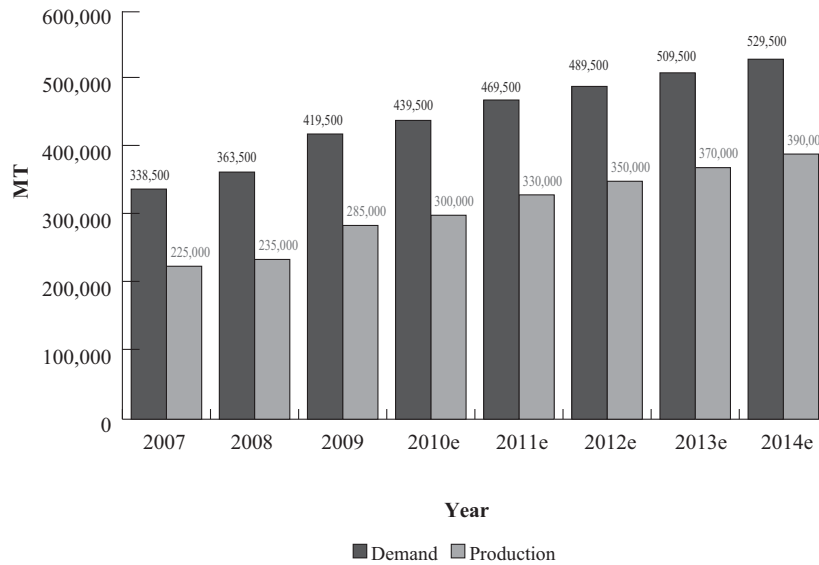
Supply of AEO surfactants in China

The supply of AEO surfactants in China is mainly made up of domestic production, while any shortfall is imported from overseas. In 2009, domestically produced AEO surfactants accounted for approximately 68% of the total demand in China, while imports represented the remaining 32%. According to the SAI Report, the production of AEO surfactants in China totalled at the volume of 285,000 MT, or value of US\$567.5 million in 2009. Given the constant expansion in surfactant production capacity in the domestic market, it is projected that the domestic production will grow at a CAGR of 6% reaching a supply level of 390,000 MT, or US\$793.7 million by 2014. In contrast, it is predicted that the import level will experience little growth in the five year period.

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The following charts set forth the historical and forecasted demand and production growth for AEO surfactants in terms of production volume and value for the periods 2007 to 2009 and 2010 to 2014 respectively:

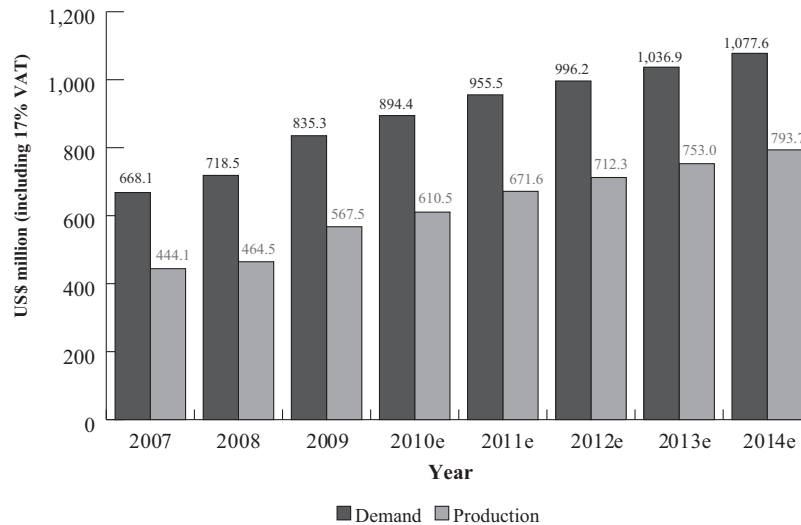
China annual AEO demand and production volume, MT/year



Source: SAI Report.

Note: AEO surfactant demand volume is equivalent to the demand consumption, which is the sum of the domestic production volume and imports less exports.

**China annual AEO demand and production value, US\$ million
(including 17% VAT)**



Source: SAI Report.

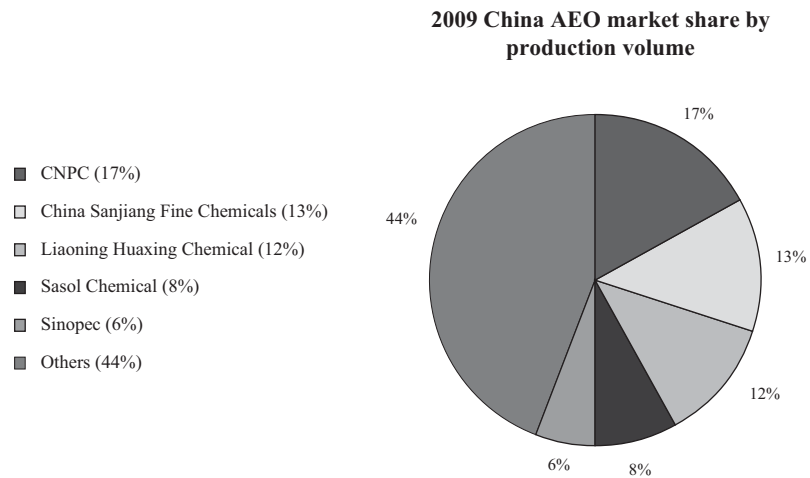
Note: The demand and production value represents the demand and production volume of AEO surfactants multiplied by its average price for each respective year.

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Competitive landscape of AEO surfactants supply in China

According to the SAI Report, in 2009, the domestic AEO surfactants market in China is dominated by 20 domestic suppliers, with their products accounting for 78% of the total domestic supply. The remaining 22% is mainly supplied by small surfactants producers that manufacture AEO surfactants in very low quantities. By 2014, with an expected growth in domestic surfactant production capacity, it is predicted that the top 20 AEO surfactants suppliers will account for 85% of all AEO surfactants supplied by domestic producers to the market.

The following chart sets forth the market share of AEO surfactants supply in terms of production volume for 2009 in China:



Source: SAI Report.

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The following table sets forth the five largest producers of AEO surfactants in terms of actual production volume and production value in 2009:

No.	Company	Production Volume (MT)	Production value (US\$ million/year)
1	China National Petroleum Corporation (中國石油天然氣集團公司)	48,000	95.5
2	China Sanjiang Fine Chemicals Company Limited (中國三江精細化工有限公司)	36,678	73.0
3	Liaoning Huaxing Chemical Co., Ltd. (遼寧華興化學品有限公司)	35,000	69.7
4	Sasol (China) Chemical Co., Ltd. (沙索(中國)化學有限公司)	22,000	43.8
5	China Petroleum and Chemical Corporation (中國石油化工股份有限公司)	17,000	33.9

Source: SAI Report

As aforementioned, given an expected growth in domestic supply for AEO surfactants in China in contrast to that of exports and imports, it is projected that the market share will be further dominated by domestic suppliers. According to the SAI Report, it is predicted that the market share for domestically produced AEO surfactants will increase from 68% in 2009 to 74% in 2014, whilst the same for imports will be reduced from 32% to 26% over the same period in light of its slow CAGR of 1%.

Pricing of AEO surfactants in China

The price of AEO surfactants is primarily determined by the cost of raw materials, namely ethylene oxide and fatty alcohol. In general, fatty alcohol is supplied to the China market almost entirely through imports, the price of which is highly dependant on the availability of such imported supply, any changes in the import taxation policies regarding this product and the transportation cost from supplier countries.

RELEVANT PRC LAWS AND REGULATIONS ON THE ETHYLENE OXIDE/SURFACTANTS MARKETS

There are various laws and regulations that govern the production and sale of chemical products in China, including ethylene oxide and surfactants. Please refer to the sections headed “Business – Licences and permits” and “Summary of principal PRC Laws and regulations relating to our business” as set out in Appendix V to this prospectus for further details.