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. You should pay particular attention to the fact that we are incorporated in the Cayman Islands and that our Group's principal operations are conducted in the PRC and are governed by a legal and regulatory environment that differs from those prevailing in other countries. If any of the events described below occur, our business, prospects, financial condition or results of operations could be materially and adversely affected, the market price of the Offer Shares could fall and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

We may encounter difficulties in our plan to produce PBS and PBS copolymers on a commercial scale or at all, and our business, financial condition, results of operations and prospects would be materially and adversely affected.

We intend to diversify our product offerings into PBS and PBS copolymers, both BDO-based fully biodegradable polymers. As at the Latest Practicable Date, we were constructing two PBS production lines with designed production capacity of 5,000 tpa and 20,000 tpa, which were scheduled to be completed by June 2011 and September 2011, respectively. Depending on the then market response to our PBS and PBS copolymer products following the new product launch, and depending on the then utilization rates of these two PBS production lines, in the longer run we also plan to commence construction of two additional PBS production lines each with a designed production capacity of 50,000 tpa, as soon as in 2012 and 2013, respectively.

PBS and PBS copolymers are relatively new products among the biodegradable polymers in the global market and the PBS and PBS copolymer segment in China is currently at an initial stage of development. We lack experience in commercial production of PBS and PBS copolymers. We may encounter difficulties in our plan to produce PBS and PBS copolymers, which may cause us to incur additional costs, delay our production schedule or cause our production plan to differ from our expectation. There is no assurance that we will be able to produce PBS and PBS copolymers on a commercial scale or at all. If we are unable to produce PBS and PBS copolymers in accordance with our plan, we may lose our investment in the PBS production facilities and may incur additional losses, in which case our business, financial condition, results of operations and prospects would be materially and adversely affected.

If we are unable to market our PBS and PBS copolymers successfully, our business, financial condition, results of operations and prospects would be materially and adversely affected.

PBS and PBS copolymers are relatively new materials in China and the market for them is not yet well developed. Although we believe that PBS and PBS copolymers have significant potential, their market acceptance in China has not been adequately tested. Biodegradable plastic products made with PBS and PBS copolymers are generally expected to be more expensive than the non-biodegradable varieties. In addition, the technologies that are used to manufacture PBS and PBS copolymer downstream products are relatively new. Formulations used to produce different types of PBS and PBS copolymer downstream products may vary and thus various testings and trial production will be required prior to the commencement of production for commercial use. It remains to be seen whether downstream producers can be readily convinced to switch from the non-biodegradable plastic materials they are currently using to PBS and/or PBS copolymers.

Currently, the Chinese government emphasizes the importance of environmental protection and promotes the use of biodegradable plastic materials, which we believe creates a favorable policy environment for the growth of the PBS and PBS copolymer market. While the Chinese government has given priority to the development of biodegradable materials industry by promulgating the Guide for Current Priorities for Development in the Key Areas of High Technology Industry (《當前優先發展的高技術產業化重點領域指南》), no favorable government policy promoting specifically the production and use of PBS and PBS copolymer has been promulgated as at the Latest Practicable Date. In addition, we cannot assure you that government support, if available, will always be in place in the future. If the Chinese government should withdraw its support for the development and use of biodegradable materials, it would have a negative impact on the potential market demand for PBS and PBS copolymers, and our business, financial condition, results of operations and prospects would be materially and adversely affected.

According to Freedonia (see the section headed "Industry overview" in this prospectus), it is expected that China's PBS production will lag behind its installed PBS capacity in the near future, resulting in significant under-utilization. According to Freedonia, various factors may cause China's PBS production to lag behind its installed PBS capacity in the near future, resulting in significant under-utilization. These factors include (i) the higher prices of PBS and PBS copolymers which generally require manufacturers to have a significant customer base willing to pay price premium for environmentally-friendly materials; (ii) the small existing base of PBS and PBS copolymers demand acting as a restraint on consumption as a result of the time associated with commercializing new products and adjusting to technical issues across the various stages of finished goods production and (iii) the limited availability of resin, both for PBS and PBS copolymers and for key blending components such as PLA.

There is no assurance that our efforts in developing market for our PBS and PBS copolymers will be successful, or will generate sufficient demand, if at all, for our PBS and PBS copolymers to support our new PBS production facilities currently under construction in Zibo. While we expect our revenue from PBS and PBS copolymer products to increase both in absolute terms and as a percentage of our total revenue in the future, there can be no assurance that we would be able to develop and expand our customer base for PBS and PBS copolymers products to generate enough demand for our PBS and PBS copolymers products. If we are unable to develop a market for our PBS and PBS copolymers or procure sufficient sales orders of PBS and PBS copolymers commensurate with our production plan or at all, our PBS production facilities may suffer from significant under-utilization and our business, financial condition, results of operations and prospects would be materially and adversely affected.

We may face significant future competition in PBS production. If we are unable to compete effectively, our business, financial condition and results of operations would be materially and adversely affected.

Our PBS production facilities currently under construction will adopt the IPCCAS Direct Polycondensation Process which we licensed from IPCCAS pursuant to a technology licensing agreement we entered into with IPCCAS in December 2009 (which was supplemented by a supplemental licensing agreement dated October 29, 2010). Under the technology licensing agreement, IPCCAS is entitled to grant the same license to three other companies. To the best of our knowledge, we have so far identified two PBS manufacturers in China, of which one adopts the IPCCAS Direct Polycondensation Process, and the other one adopts the chain extension process developed in collaboration with Qinghua University (see the paragraph headed "Competition" under the section headed "Business" in this prospectus). On the other hand, to the best knowledge of our Directors, we have not identified any manufacturer of PBS copolymers in China to date. That said, we expect to compete with domestic and overseas PBS and PBS copolymer producers, particularly in Japan and the United States, who may have longer operating histories, more experience and better marketing resources in respect of PBS and PBS copolymers than we do. If we are unable to compete effectively with these PBS and PBS copolymer producers, our downstream expansion into the production and sale of PBS and PBS copolymers may not be successful and our business, financial condition and results of operations would be materially and adversely affected.

If the selling prices of PBS or PBS copolymers decrease, our profitability and prospects would be materially and adversely affected.

The prices of PBS and PBS copolymers in China may be determined or influenced by various factors, such as PRC government policy on biodegradable materials, global and domestic PBS and PBS copolymers supply and demand, development of downstream PBS derivative products and applications, the prices set by our competitors and our ability to identify and develop markets for our PBS and PBS copolymer products.

Currently, the PRC government emphasizes the importance of environmental protection and promotes the use of biodegradable plastic materials, which we believe creates a favorable policy environment for the growth of the PBS and PBS copolymers market and the pricing of PBS and PBS copolymers. Should there be any change in such government policy, it would have a negative impact on the market demand for PBS and PBS copolymers and market prices of PBS and PBS copolymers. As at the Latest Practicable Date, no favorable government policy promoting specifically the production or the use of PBS or PBS copolymers has been promulgated by the PRC government. The market prices of PBS and PBS copolymers are susceptible to prices of other biodegradable plastic materials, which may be used as substitutes of PBS and PBS copolymers. The prevailing market prices of our PBS and PBS copolymers will also depend on the prices set by domestic and overseas PBS and PBS copolymers manufacturers. According to Freedonia, the price of PBS is expected to decline in the next few years as driven by the increasing availability of PBS from domestic producers, which are expected to be able to offer PBS at lower prices than foreign suppliers due to greater economies of scale and reduced operating costs. Further, the prices of PBS copolymers are expected to decrease in the next few years due to the greater availability of imported and domestically-manufactured copolymers. If the anticipated future decrease in the selling prices of PBS and PBS copolymers cannot stimulate a sufficient increase in demand to compensate for the reduced profit margins, our business, prospects, financial condition and results of operations may be materially and adversely affected.

Construction of our Zibo production base is subject to various risks and uncertainties.

We are currently constructing an additional BDO production facility and the first phase of our PBS production facilities in our Zibo production base. The timing and cost of completion of these new production facilities will depend on a number of factors commonly associated with large construction and expansion projects, some of which are critical but outside of our control, including:

- shortages of or changes in prices of construction materials, equipment and skilled labor;
- changes in design, construction, equipment installation and configuration;
- variations to plans or specifications and engineering problems;
- labor disputes and increases in labor costs;
- a deterioration in the financial condition of one or more of our contractors or other factors that adversely affect the ability of our contractors to complete construction on time, within budget or at all;
- disputes with or defaults by one or more of our contractors or subcontractors;
- adverse weather conditions, natural disasters, environmental issues, accidents and unforeseen circumstances and problems;
- failure or delays in obtaining governmental and third party permits, licenses and consents; and
- other regulatory, operating or commercial risks.

Any of these uncertainties may cause delays in the completion of our proposed expansion, increase our costs (construction, administrative, financial or otherwise) associated with the project and postpone the date when additional production capacity will become available, which could materially and adversely affect our business, prospects, financial condition and results of operations.

Further, in the event that the completion of our additional BDO production facility in Zibo is delayed to such time after the commencement of our PBS production in Zibo, we would be required to transport BDO produced in our Dongying production facility to our Zibo production facility, which would increase our costs and operating risks, and in turn materially and adversely affect our business, prospects, financial condition and results of operations.

We depend on a small number of domestic customers for a significant share of our total revenue. Loss of any one or more of these customers may cause significant declines in our revenue.

Sales to our top five largest customers accounted for approximately 37.8%, 34.1%, 21.5% and 26.1% of our total revenue for each of the three years ended December 31, 2007, 2008 and 2009 and the five months ended May 31, 2010, respectively. Our largest customer accounted for approximately 9.5%, 8.7%, 5.6% and 7.4% of our total revenue for each of the three years ended December 31, 2007, 2008 and 2009 and the five months ended May 31, 2010, respectively. We anticipate that our dependence on a limited number of domestic customers will continue in the foreseeable future.

We cannot assure you that we will be able to maintain or improve our relationships with our key customers, or that we will be able to continue to sell our products to these customers at current volumes or prices or at all. Our key customers may, in the future, expand into upstream products and produce their own BDO and its derivatives such as GBL and THF. If any of our key customers substantially reduces, changes, delays or cancels their orders with us or terminates their business relationship with us, we may not be able to obtain orders on comparable terms or in a timely manner or at all from other customers to replace any such lost sales. The occurrence of any of the foregoing events may cause material fluctuations or declines in our revenue and could materially and adversely affect our business, prospects, financial condition and results of operations.

We depend on a small number of domestic suppliers for a large portion of our total purchases. Loss of any one or more of these suppliers may materially and adversely affect our business, prospects, financial condition and results of operations.

Our five largest suppliers during the Track Record Period were mostly maleic anhydride suppliers. For each of the three years ended December 31, 2007, 2008 and 2009 and the five months ended May 31, 2010, purchases from our five largest suppliers accounted for approximately 86.4%, 84.5%, 73.0% and 82.5% of our total amount of purchases, and the largest supplier accounted for 23.4%, 20.5%, 19.9% and 32.3% of our total amount of purchases, respectively. Since 2008, we made monthly prepayments to some of our maleic anhydride suppliers in order to secure favourable prices. During the Track Record Period, our hydrogen was principally sourced from a single supplier, namely Sinopec Shengli Oilfield Branch Petrochemical Factory* (中國石化勝利油田分公司石油化工總廠) ("**Sinopec Shengli**"). In addition, starting from December 2009, we have been using and will continue to use n-butane for our in-house production of maleic anhydride and we sourced all of the n-butane also from Sinopec Shengli up to the Latest Practicable Date. We anticipate that our dependence on a limited number of domestic suppliers will continue in the foreseeable future.

We cannot assure you that we will be able to maintain our relationships with our key suppliers, or that we will be able to continue to purchase our supplies from these suppliers at current volumes or prices or at all. In the event that we are not able to make or can only make a lesser amount of prepayment to our maleic anhydride suppliers, we may not be able to secure favourable prices. If any of our key suppliers decides not to supply materials to us and that we are unable to find alternative supplies on comparable terms or in a timely manner or at all, this may materially and adversely affect our business, prospects, financial condition and results of operations.

We depend on a third party waste gas treatment company to process our waste gas generated from our Dongying operations. If this company ceases to provide waste gas treatment for us without proper notice or if this company breaches any of the applicable rules, regulations and laws of the PRC in the processing and discharge of our waste gas which resulted in damage to third parties, our business, prospects, financial condition and results of operations may be materially and adversely affected.

Since 2004, Dongying Shengli has engaged a third party waste gas treatment company to process waste gas generated from our Dongying operations. If this third party waste gas treatment company ceases to provide waste gas treatment for us without proper notice, we cannot assure you that we will be able to promptly find a suitable replacement to process our waste gas at a reasonable cost or at all. In addition, our PRC legal advisers have advised us that if this third party waste gas treatment company breaches any of the applicable rules, regulations and laws of the PRC in the processing and discharge of our waste gas which results in damage to third parties, we may be held jointly and severally liable for civil liabilities towards such third parties. If this does happen, our business, prospects, financial condition and results of operations may be materially and adversely affected.

If market demand for BDO fails to keep pace with the expansion of our designed BDO production capacity, our business, prospects, financial condition and results of operations could be materially and adversely affected.

Currently, BDO is our primary product, and sales of BDO represented approximately 55.4%, 59.9%, 55.6% and 54.6% of our revenue for each of the three years ended December 31, 2007, 2008 and 2009 and the five months ended May 31, 2010, respectively. NDRC estimated that in 2015 the demand for BDO in China will reach approximately 700,000 tons and the production capacity will be above one million tons. As the bases of such estimates, NDRC cited that for 2009, new BDO production capacity of 230,000 tons was added while five production facilities currently under construction will add another 275,000 tons of BDO production capacity to the PRC market by 2012; and six production facilities with a total capacity of 365,000 tons are being planned in the PRC. The NDRC further warned of an oversupply of BDO and urged for elimination of less technologically advanced production capacities.

Many factors may affect the demand for BDO products, including:

- cost-effectiveness, performance and reliability of BDO products compared to conventional products and other competing products;
- fluctuations in economic and market conditions that affect the viability of competing products, such as increases or decreases in the prices of key raw materials;
- adoption or development of related technologies by downstream manufacturers and end-users of BDO products and products incorporating BDO, which may decrease when the economy slows down or which may not be as capable of being developed as previously expected; and

- increasing regulations limiting the use of key raw materials or production processes.

We are particularly susceptible to any general downturn in the BDO market or decrease in demand from our customers if, for instance, they expand upstream to produce BDO for their own captive use, or if they turn to an alternative source for raw material.

Growth in the BDO market is partly driven by new downstream products and applications. Our sustained development is highly dependent upon the development of new BDO-based products and technologies through which BDO, GBL and THF can be applied in different industries. We cannot assure you that new downstream products and new applications for our products will be developed successfully at a pace commensurate with our expansion, or at all.

Furthermore, we are constructing an additional BDO production facility in Zibo, Shandong province which is expected to increase our designed BDO, GBL and THF production capacity to an aggregate of approximately 81,800 tpa, 23,600 tpa and 6,600 tpa, respectively, upon its scheduled completion by June 2011. Although this increased designed production capacity is intended ultimately to serve our planned commercial production of PBS and PBS copolymers, until the product markets of PBS and PBS copolymers are sufficiently developed to support our intended PBS production scale, we will sell the surplus BDO produced under our new BDO production facility as finished products to our customers, and we may need to develop new customers and/or new markets to take up our increased BDO supply. There can be no assurance that we will be able to develop sufficient new customers for our BDO (or its derivative products, GBL and THF). If BDO downstream products and applications do not develop adequately or at a pace commensurable with our intended expansion of BDO production capacity, and if we fail to develop sufficient new customers for our products and sell them at reasonable prices, our business, prospects, financial condition and results of operations would be adversely affected.

If we are unable to maintain high utilization rates of our production facility, our margins and profitability would be materially and adversely affected.

Higher utilization rates of our production facility allows us to allocate fixed costs over a greater number of tons of product produced, thus increasing our profit margin.

Historically, our exiting production facility in Dongying achieved BDO production utilization rates of approximately 83.3%, 100.5%, 99.8% and 100.9%, for each of the three years ended December 31, 2007, 2008 and 2009 and the five months ended May 31, 2010, respectively. The utilization rates of our production facility depends primarily on the demand for our products. The utilization rates may also be affected by various other factors, such as adverse weather conditions, natural disasters and breakdown of production equipment. There is no assurance that we will be able to maintain a comparable level of utilization rates for our Dongying production facility in the future and in such event, our business, prospects, financial condition and results of operations may be materially and adversely affected.

In addition, with respect to the new production base to be constructed and operated in Zibo, Shandong province, as it has no production history, we cannot assure you that it will achieve its designed capacity or projected production levels in a cost-effective manner, or at all. If we are unable to achieve high capacity utilization rates for our new Zibo production base, our overall average cost per unit may increase and our gross margin would be reduced, and our business, prospects, financial condition and results of operations may be materially adversely affected as a result.

Our average selling prices of BDO, GBL and THF fluctuated during the Track Record Period. If the selling prices for BDO and BDO derivative products decrease, our profitability would be materially and adversely affected.

During the three years ended December 31, 2009, our Group's average selling prices of BDO, GBL and THF had experienced a decreasing trend, falling from RMB16,712, RMB19,263 and RMB23,313 per ton respectively in 2007 to RMB11,866, RMB14,049 and RMB16,219 per ton respectively in 2009 primarily as a result of global financial crisis in late 2008. Since then, our average selling prices of BDO, GBL and THF started to exhibit signs of re-bound and increased to approximately RMB14,387, RMB16,088 and RMB17,916 respectively for the five months ended May 31, 2010, and further increased to approximately RMB15,174, RMB16,806 and RMB18,878 respectively for the month of August 31, 2010. If our Group's average selling prices of BDO, GBL and THF fail to stablize in the future or start to decrease again, our business, financial condition, results of operations and prospects would be materially and adversely affected.

We sell our products in highly competitive markets. Due to the commodity nature of our products, competition in these markets is based primarily on price and to a lesser extent on product performance, product quality, product deliverability, reliability of supply and customer service. As a result, we generally are not able to protect our market position for these products solely by product differentiation.

Our ability to maintain our selling prices for our products will depend, among other factors, on the supply and demand in the global and domestic markets for our products, development of downstream BDO derivative products and applications, the prices set by our competitors, and our ability to identify markets for our products. We may be lack of the pricing power to maintain our selling prices if the Chinese market for BDO and its derivative products becomes increasingly commoditized as it matures.

Some of our domestic BDO competitors have increased, or have announced plan to increase, their BDO production capacities. Moreover, it has been alleged that in recent years certain overseas BDO producers, such as Saudi Arabian and Taiwanese producers, were dumping their BDO in China and have caused China's BDO sale prices to decline as a result. In response to complaints from BDO producers in China, on December 24, 2009, MOFCOM considered that BDO producers from Saudi Arabia and Taiwan had been dumping BDO in the China market which significantly damaged the domestic BDO industry. As a result, MOFCOM imposed an anti-dumping duty at a rate of 4.5% to 13.6% on BDO imported from Saudi Arabia and Taiwan into China for a period of five years from December 25, 2009. (See section headed "Industry overview" in this prospectus for further information). Any such increases in market capacity or market supply, without a corresponding increase in demand, may cause an imbalance in domestic supply and demand that may depress the prices of our BDO products and put pressure on our margins. If we cannot lower our costs of sales when the selling prices of our products decline, we will not be able to maintain our margins and, as a result, our business, prospects, financial condition and results of operations may be materially and adversely affected.

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

The markets for our products are competitive. We face competition in the market for BDO products from both international and domestic producers. Some of our competitors may have greater access to capital and substantially greater production, intellectual property, marketing and other resources than we do. Our ability to compete successfully in the BDO industry depends on various factors, including effective cost-controls, consistency in product quality, timely delivery of products to meet customers' schedules, geographic proximity to customers and transportation convenience, customer service and technical expertise, and factors that are outside of our control, such as 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 loss of our market share, which may have a material adverse effect on our business, prospects, financial condition and results of operations.

We also face competition from overseas suppliers. If our key customers meet their requirements through the use of offshore suppliers, we may not be able to increase our market share or find a market for our BDO products, and our business, prospects, financial condition and results of operations may be adversely affected.

Further developments in or alternatives to the DAVY Process may render our production process costly or obsolete, which may reduce our profitability and market share.

At present, there are four major BDO production methods commonly employed, namely the REPPE Process, the DAVY Process, the butadiene acetoxylation process and the propylene oxide process, each possessing its advantages and disadvantages compared to the other processes. Among these four methods, the REPPE Process remains to be employed by the global (as well as China) BDO industry at large.

We adopt the second-generation DAVY Process to manufacture BDO, GBL and THF at our Dongying production facility. We have been licensed the fourth-generation DAVY Process for use at our new BDO production facility in Zibo, Shandong province. We may need to invest significant financial resources in research and development or pay to license new or upgrade existing technologies to maintain our market position, keep pace with technological advances in BDO production and effectively compete against our competitors in the future. This may include acquiring new technology as the DAVY Process is updated or improved. Any failure to improve our technology may make our production process too costly or obsolete, which may have a material adverse effect on our business, prospects, financial condition and results of operations.

The costs of raw materials, other materials and utilities used in our production may increase and our business, prospects, financial condition and results of operations could be adversely affected.

We purchase large amount of raw materials, other materials and utilities for our businesses, including maleic anhydride, n-butane, methanol, steam, hydrogen and various catalysts. As our designed production capacity of maleic anhydride is insufficient to satisfy our internal demand for BDO production, we continue to purchase maleic anhydride from third party suppliers after we commenced in-house production of maleic anhydride in December 2009. Our cost of raw materials represents a substantial portion of our cost of sales. For each of the three years ended December 31, 2007, 2008 and 2009 and the five months ended May 31, 2010, total cost of our raw materials, other materials and utilities accounted for approximately 98.0%, 98.0%, 96.6% and 96.1% of our total cost of sales, respectively.

During the Track Record Period, we purchased hydrogen from Sinopec Shengli, which is located adjacent to our Dongying production facility and delivered hydrogen to us via a pipeline. This represents a significant advantage to us as hydrogen is highly flammable, difficult to transport by road and costly to store in large quantities. As we will not be able to source hydrogen for our new production base at Zibo from Sinopec Shengli via pipeline due to the geographical distance, there is no assurance that we will be able to source hydrogen for our new production base at Zibo at comparable cost or at the same level of operational risks.

The prices of most of our raw materials, other materials and utilities generally follow the price trends of, and vary with, market conditions. Supplies of these raw materials are also subject to a variety of factors that are beyond our control, including market shortages, suppliers' business interruptions, government control and regulations of energy industries, unavailability of long-term supply contracts, weather conditions and overall economic conditions, all of which may have impact on their respective market prices from time to time. In the future, there may be periods of time when we are unable to pass our cost increases on to customers in a timely manner to avoid adverse impacts on our margins. Our business, prospects, financial condition and results of operations could be adversely affected by the increase and volatility of these costs. Such cost increase may also increase working capital needs, which could reduce our liquidity and cash flow. In addition, when raw material costs increase rapidly and such costs are passed along to customers as product price increases, the credit risks associated with certain customers can be compounded and demand may decrease.

Production of BDO and BDO-related products is energy-intensive and our results of operations may be materially adversely affected if energy costs were to rise further, or if our energy supplies were interrupted.

We consume substantial amounts of energy in our production. We currently obtain all of our electricity from an electricity supplier in Shandong. Many cities and provinces in the PRC suffer serious power shortages from time to time. There have been cases where local governments in certain provinces have required local factories to temporarily shut down their operations or reduce their daily operational hours in order to reduce local power consumption levels. During the Track Record Period, we have not experienced any material interruptions in energy supply. We cannot assure you that our PRC operations will not be affected by those administrative measures, or experience interruptions in energy supply due to mandatory electricity rationing or other causes and resulting in material production disruption and delays in delivery schedules in the future. In such events, our business, prospects, financial condition and results of operations may be materially adversely affected. In addition, if energy costs were to rise, or if energy supplies or the local government's ability to supply and deliver electricity to our manufacturing facilities were disrupted, our business, prospects, financial condition, results of operations or liquidity position may be adversely affected.

Our business operations are extensively impacted by the policies and regulations of the PRC government. Any policy or regulatory changes may cause us to incur significant compliance costs.

We are subject to extensive national, provincial and local governmental regulations, policies and controls. Central governmental authorities, such as NDRC, MOFCOM, SAFE and SAT, and provincial and local authorities and agencies regulate many aspects of Chinese industries, including, among others, the following aspects:

- construction or development of new production facilities;
- establishment or change in shareholder of foreign investment enterprises;
- taxes, duties and fees;
- foreign exchange; and
- land use rights.

The liabilities, costs, obligations and requirements associated with these laws and regulations may be material, may delay the commencement of operation at our new production facilities or cause interruptions to our operations. Failure to comply with the relevant laws and regulations in our operations may result in the suspension of our operations and thus adversely and materially affect our business, prospects, financial condition and results of operations. Additionally, 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 such laws or regulations may require us to incur material capital expenditures or other obligations or liabilities.

Our operations and assets are subject to extensive health, safety, environmental and other laws and regulations, which could result in material costs or liabilities.

Our business is subject to laws and regulations relating to health, safety and the environment by national, provincial and local PRC governmental authorities. The risks of substantial costs and liabilities related to these laws and regulations are an inherent part of our business. These laws and regulations concern air emissions, wastewater discharges, solid and hazardous waste material handling and disposal, worker health and safety and the investigation and remediation of contamination. They may impose fees for the discharge of waste substances and impose fines for environmental offenses. They also require us to obtain permits, including environmental permits and the safety production permit for hazardous chemicals. The PRC government may shut down any facility that fails to comply with orders requiring it to correct or cease operations that raise environmental concerns. Some of these laws and regulations are subject to varying and conflicting interpretations. If we fail to comply with the relevant safety and environmental and other laws and regulations or fail to pass any safety or environmental impact inspection or evaluation, or if an accident occurs onsite or we are judged responsible for a safety or environmental hazard elsewhere, there will be material adverse effects on our corporate image, reputation and credibility of our management team, as well as our business, prospects, financial condition and results of operations. Any remedial measures we are required to adopt may be costly and may put constraint on our financial resources.

Other developments, such as increased health and safety laws and regulations, the stricter enforcement thereof, and claims for damages to property or injury to persons resulting from the environmental, health and safety or past contamination, could prevent or restrict some of our operations, require significant expenditure to bring us into compliance, involve the imposition of clean up requirements or give rise to civil or criminal liability. Any such legislation, regulation, enforcement or private claim could have a material adverse effect on our business, financial condition, cash flows, prospects and results of operations.

Estimated costs for future environmental compliance and remediation are necessarily imprecise due to such factors as the continuing evolution of environmental laws and regulatory requirements, the availability and application of technology, the identification of presently unknown remediation sites and the allocation of costs among the potentially responsible parties under applicable statutes. If actual expenditure exceeds the amounts provided, that could have an adverse effect on our business, prospects, financial condition and results of operations.

We may be subject to liability relating to the use and processing of hazardous substances in our production.

Our business involves the transport, handling, production and use of substances and compounds that may be considered toxic or hazardous within the meaning of environmental laws in the PRC. Furthermore, our manufacturing operations generate noise, gaseous chemicals, waste water and toxic, volatile or otherwise hazardous materials at various stages of the refining and manufacturing processes. Maleic anhydride, methanol, hydrogen, n-butane, BDO, GBL and THF are hazardous chemicals requiring special transportation, storage and process handling. We cannot assure you that our safety and emergency plans and procedures will be adequate to handle any leakages, spills, corrosion or other accidents and there is an inherent risk of contamination and environmental damage. Any failure by us to control the use of, or inadequately restrict the discharge of, hazardous substances could result in loss or damage to property, personal injury, environment and other third party liabilities, as well as various compliance costs, all of which would have a material adverse effect on our business, prospects, financial condition and results of operations or cause us to cease operations entirely. In addition, if more stringent governmental regulations are adopted in the future, the costs of compliance with these new regulations may be substantial.

We may incur losses resulting from operating hazards, product liability claims or business interruptions and our insurance coverage may not be sufficient to cover the risks related to our business.

Our operations involve the use, handling, generation, processing, storage, transportation and disposal of hazardous materials, which may result in fires, explosions, spills, corrosion and pollution, and other unexpected or dangerous accidents causing personal injuries or death, property damage, environmental damage and business interruption. Any occurrence of these or other accidents in our operation may have a material adverse effect on our business, prospects, financial condition and results of operations. In addition, we cannot predict whether product liability claims will be brought against us in the future or the effect of any resulting negative publicity on our business. The successful assertion of product liability claims against us may result in material monetary damages and may have a material adverse effect on our business, prospects, financial condition and results of operations. We do not have any business interruption insurance or third party liability insurance, nor do we maintain any insurance against war, expropriation, nationalization, renegotiation or nullification of existing contracts, changes in taxation policies, currency exchange restrictions, changing political conditions or international monetary fluctuations. See paragraph headed "Business – Insurance coverage" in this prospectus. Occurrence of any such events that impact us in an unfavourable way may result in substantial costs and diversion of resources.

We cannot assure you that our current insurance would adequately protect us against all potential hazards and liabilities incidental to our businesses, including, among others, losses resulting from operating problems, natural disasters, war, terrorist acts or business interruptions. Changes in insurance market conditions may cause premiums and deductibles for certain insurance policies to increase substantially and, in some instances, for certain insurance to become unavailable or available only for reduced amounts of coverage. 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 that such losses or payments are not insured or the insured amount is not adequate.

Our leased properties in the PRC may be subject to legal irregularities.

We have not completed the lease registration for the following leased properties in the PRC:

- office units located in close proximity with our new Zibo production base as our PRC main administration offices;
- office units located in Jinan of Shandong province as our Group's sales representative office; and
- a building located in Zibo of Shandong province as our 500-liter PBS laboratory facility;

referred to as properties no. 4, 5, 6 and 7 under "Property interests rented and occupied by our Group in the PRC" in our property valuation report in Appendix IV to this prospectus.

The above office units are non-production related and our PBS laboratory facility is intended primarily for trial and testing purposes. Although such properties can be readily relocated and our PRC legal advisers has advised that non-registration of leases of the above properties will not render the lease agreements invalid or affect the legality of the lease agreements under the Contract Law of the PRC (《中華人民共和國合同法》), we may be subject to rectification or fines by the relevant authorities, thus our business, results of operations and financial condition may nevertheless be negatively affected.

The loss, revocation, suspension, modification or failure to obtain or renew certain government permits or approvals could materially and adversely affect our business.

We are required to obtain certain permits and approvals to operate our businesses and facilities, such as a Safety Production Permit (安全生產許可證) for THF. When we commenced production of THF in January 2007, we had not yet obtained the relevant Safety Production Permit for THF. We were not required to possess a Safety Production Permit to engage in the trial production from January to June 2007, as supported by the fact that the Safety Production Administration of Dongying (東營市安全生產監督管理局) issued a confirmation letter dated August 13, 2010 confirming that, Dongying Shengli was allowed a trial production period of six months before obtaining the Safety Production Permit and the Safety Production Administration of Dongying (東營市安全生產監督管理局) would not impose any administrative penalties and fines upon Dongying Shengli during the trial production period. On June 7, 2007, we obtained our Safety Production Permit for THF, which was effective until June 6, 2010. On June 7, 2010, we renewed our Safety Production Permit for THF, which is effective until June 6, 2013. We have not in the past experienced any suspension in production of THF due to lack of any requisite license. The Safety Production Administration of Dongying (東營市安全生產監督管理局) issued a confirmation letter dated August 5, 2010 confirming that Dongying Shengli complies with the relevant national safety production laws and regulations, had not experienced any material accidents relating to safety production and was not subject to any fines, rectification or other penalties. However, there is no assurance that we will be able to obtain or renew safety production permit or other permits and approvals required for PBS production in a timely manner or at all.

Our PRC legal advisers have confirmed to us that in the past, we have obtained all requisite permits and approvals to operate our businesses and facilities. In the future, we may be required to renew such permits and approvals or to obtain new permits and approvals. There can be no assurance that the relevant authorities will issue any such permits or approvals in the time-frame anticipated by us or at all. Failure by us to renew, maintain or obtain the required permits and approvals may interrupt our operations or delay or prevent the implementation of our capacity expansion program, and may have a material adverse effect on our business, prospects, financial condition and results of operations. Any loss, revocation or suspension of these permits or approvals could lead to fines and other penalties and ultimately to a suspension of our operations.

Any loss, revocation or suspension of these permits or approvals could lead to fines and other penalties and ultimately to a suspension of our operations. The authorities may modify the terms of our permits or approvals at their discretion. Any unfavorable modification of the terms of our permits or approvals or other change in our legal or regulatory environment could have a material adverse effect on our business, prospects, financial condition and results of operations.

We may be required to pay up any outstanding social insurance and housing fund, or subject to penalties for any irregularities in our contribution to the social insurance and housing fund.

Pursuant to the relevant PRC laws and regulations, we are required to pay for a portion of our employees' pension insurance, medical insurance, unemployment insurance, birth insurance, work-related injury insurance (together, "**social insurance**") and housing fund contributions. Due to inconsistent implementation and interpretation of the PRC laws and regulations by the relevant local authorities during the Track Record Period, we have not fully paid, or have not been required by the relevant local authorities to fully pay, the social insurance payments for our employees, including certain temporary employees and employees under probation of Dongying Shengli and Full Win New Material who either (i) have retired prior to being employed by us; (ii) are registered as rural residents or (iii) are new joiners. As at the Latest Practicable Date, there were 22 employees of Dongying Shengli and 11 employees of Full Win New Material who fall under this category.

Also, during the Track Record Period, the social insurance and housing fund contributions of certain of the employees of Dongying Shengli whose permanent residence are registered in Jinan or Zibo have been arranged to be effected under social benefit accounts of Full Win New Material (our Zibo subsidiary), Shandong Quanxin Aluminum Co., Ltd.* (山東泉信不銹鋼有限公司) (a related party company in which Mr. Zhang has an effective interest of approximately 20%) and another Independent Third Party company in Jinan. This arrangement was put in place primarily because some of our employees who are residents of Jinan City and Zibo City are unwilling to register their social benefit accounts in Dongying City. Our PRC legal advisers have advised us that such arrangements does not fully comply with relevant PRC laws. We relied on the two external companies not within our Group to make contributions in full of such benefit payments for the relevant employees of Dongying Shengli in which we have reimbursed the relevant social insurance and housing fund contributors to these companies. Under the applicable PRC law, we bear joint and several liability for unsatisfied obligations of such companies arising from their contracts with our employees. To ensure strict compliance with the relevant PRC social insurance and housing fund laws and regulations, we have entered into labour contracts with such employees and we now pay for their social insurance and housing funds directly under our own social insurance and housing fund accounts.

Moreover, during the Track Record Period, the social insurance and housing fund contributions of certain of the employees of Dongying Shengli were made by themselves and reimbursed by us. As at the Latest Practicable Date, we have rectified this practice by effecting such funds directly under our own social insurance and housing fund accounts.

We have carried out rectification action by notifying the relevant local authority of the above arrangements, and we received confirmation letters dated August 4, 2010 and August 5, 2010 from the relevant authorities confirming each of our subsidiaries has complied with relevant labor protection laws and regulations, and is not subject to any late payment or fine or penalties since its establishment. However, we cannot assure that we will not be subject to future order from the government to pay such amount of contributions deemed outstanding, and that there are no labor disputes or claims in respect of employee complaints regarding payment of social insurance and housing fund contributions or that such claims will not be brought against us in the future, and that we will not be required to pay such contributions or any related damages in the future. As advised by our PRC legal advisers, Jun He Law Offices, if the above arrangements is subsequently overruled by the relevant authorities, according to applicable PRC social insurance and housing fund laws, the responsible persons of our subsidiaries may be liable to a fine of up to RMB10,000 and we, as employer who fails to report and pay social insurance contributions, may be ordered to rectify the problem and pay the contributions by a stipulated deadline. If payment is still not made by the deadline, we will be subject to a daily surcharge of 0.2% of the total outstanding social insurance contributions. As at the Latest Practicable Date, we did not receive any order to rectify the problem or notice on payment of social insurance or housing fund contribution from the government authorities, and we undertake to pay the contributions by the stipulated deadline in case we are ordered to do so. Mr. Zhang, our Controlling Shareholder, has agreed to indemnify our Group, subject to the terms and condition of the Deed of Indemnity, in respect of any liabilities that may arise as a result of any non-compliance of social insurance and housing fund laws and regulations. Our PRC legal advisers confirmed that as we have not received any notices from or have not been ordered by the relevant government authorities to pay any outstanding social insurance and housing fund contribution up to the Latest Practicable Date, the daily late fee payment is not applicable to our Group and our Group is not subject to any other penalties or fines as a result of the above irregularities of the Group's contribution to the social insurance and housing fund.

In view of the opinion of the Company's PRC legal advisers and given Mr. Zhang has agreed to indemnify our Group in respect of any liabilities that may arise as a result of any non-compliance of social insurance and housing fund laws and regulations, we had not made any provision for social insurance contributions during the Track Record Period.

In case we are requested by the relevant government authorities in the PRC to pay the amounts of social insurance and housing fund contributions deemed outstanding, the maximum total amount of fund contributions payable by our Group up to May 31, 2010 is estimated to amount to approximately RMB3.5 million calculated by deducting the total amount of social insurance and housing fund contributed by us of approximately RMB4.9 million from the total maximum amount of social insurance and housing fund payable by us of approximately RMB8.4 million up to May 31, 2010.

We may not be able to adequately protect our proprietary know-how, or may be exposed to third-party claims of infringement or misappropriation of intellectual property rights.

To protect the proprietary know-how we use in our production, we rely primarily on contractual arrangements with our management and technical personnel who have access to our proprietary know-how. We cannot assure you that our standard confidentiality and non-competition agreement or the non-disclosure clauses in our employment contracts are enforceable under PRC law or are adequate to protect our intellectual know-how.

We have been collaborating with various institutions to improve our production technology, product quality and explore into new product areas. Some of the intellectual property rights developed by us jointly with these institutions may be registered jointly under both parties or registered under such institutions. For example, we entered into a technology cooperation agreement with Sichuan University in May 2010 pursuant to which any intellectual property rights developed pursuant to the collaborations under the agreement shall be registered jointly under both parties while we shall be entitled to the exclusive right of use. Any dispute arising out of this intellectual property arrangement or other arrangements with other institutions that we collaborate with could have a material and adverse effect on our business operations.

Implementation and enforcement of PRC intellectual property laws have historically been difficult primarily due to ambiguities in the PRC laws. Therefore, intellectual property rights and confidentiality protections in China may not be as effective as those in Hong Kong or other countries. Policing unauthorized use of proprietary know-how is difficult and expensive, and we may need to resort to litigation to enforce or defend patents issued to us or to determine the enforceability, scope and validity of our proprietary rights or those of others. The experience and capabilities of PRC courts in handling intellectual property litigation varies, and the outcomes are unpredictable. Further, such litigation may require a significant cash outlay and may divert management's attention, which could harm our business, financial condition and results of operations. An adverse judgement in any such litigation could materially impair our intellectual property rights and may harm our business, prospects and reputation.

Alternatively, we may be subject to litigation involving claims of patent infringement or violation of intellectual property rights of third parties. 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 judgement in any such litigation or proceedings to which we may become a party may subject us to significant liability to third parties, require us to seek licenses from third parties, pay ongoing royalties, redesign our products or subject us to injunctions prohibiting the manufacture and sale of our products or the use of our technologies. Protracted litigation may also result in our customers or potential customers deferring or limiting their purchase or use of our products until resolution of such litigation.

Mr. Zhang and certain members of our Group may be subject to potential legal proceeding which, if materializes, may result in a material and adverse impact on the assets and financial results attributable to our Company and our Shareholders.

Mr. Zhang, our Controlling Shareholder, was introduced to the Previous Potential Investor in 2007. During the period from August to October 2007, a series of agreements (the "**2007 Agreements**") were entered into among the Previous Potential Investor, Mr. Zhang, Full Smart and Dongying Shengli for the purpose of a potential pre-IPO investment into our Group, pursuant to which it was conditionally agreed among the parties that (i) the Previous Potential Investor would, for a consideration of HK$100 million, subscribe for 20% of the issued share capital of Full Smart as enlarged by the subscription (the "**Proposed Subscription**"); and (ii) the shares of Full Smart and the equity interest of Dongying Shengli would be charged or mortgaged to the Previous Potential Investor as security for the Proposed Subscription.

Pursuant to the Proposed Subscription, the Previous Potential Investor advanced a total of HK$50 million (the "**Investment Deposit**") to our Group during the period from August to September 2007 as deposit for the Proposed Subscription pending fulfillment of certain conditions precedent as stipulated in the 2007 Agreements. In November 2007, the charge on the equity interest of Dongying Shengli (the "**Dongying Shengli Charge**") was registered with Dongying AIC with an effective period of one year. However, in or around December 2007, the Previous Potential Investor decided not to proceed with the Proposed Subscription and demanded refund of the Investment Deposit in full with interest. During the period between December 24, 2007 to March 13, 2008, Mr. Zhang and/or our Group refunded a total of HK$34,501,150 to the Proposed Investor. According to an affidavit executed by Mr. Zhang on August 13, 2010, a meeting was held between Mr. Zhang and the Previous Potential Investor in March 2008 to discuss about, among other things, payment of the remaining balance of the Investment Deposit and interest. As confirmed by Mr. Zhang, during the meeting, it was verbally agreed that against payment of a balance of HK$24,400,000, the Previous Potential Investor would procure for the release of the charge and/or mortgage over the shares of Full Smart and the equity interest of Dongying Shengli Charge (the "**Verbal Settlement Agreement**"). The agreed balance payment was accordingly effected on the same day of the said meeting, as a result of which a total of HK$58,901,150, comprising the Investment Deposit plus interest, was refunded in full to the Previous Potential Investor.

Subsequently, on November 24, 2008 following expiry of the registration of the Dongying Shengli Charge, Dongying Shengli filed with Dongying AIC for the de-registration of the Dongying Shengli Charge and was accordingly accepted by Dongying AIC.

On April 15, 2009, the directors of Full Smart passed a resolution approving the removal of the remarks in the register of members of Full Smart in respect of the charge and/or mortgage over Mr. Zhang's shares of Full Smart. The legal advisers as to Samoa law confirmed that, having regard to the acceptance of evidence by the directors of Full Smart that the Investment Deposit has been repaid, a resolution of directors of Full Smart acknowledging that fact and that there can be no charge over Mr. Zhang's shares of Full Smart should release Mr. Zhang from any obligation over his shares. The Samoa legal advisers further confirmed that as at March 16, 2010, no charge over the shares of Full Smart was registered at the Registry of International Companies of Samoa. Considering that Full Smart is a company incorporated in Samoa and the Samoa legal adviser is a registered law firm duly qualified to practice law in Samoa, our Directors believe that the Samoa legal adviser is the appropriate professional party to provide its views and confirmations on the abovementioned issues relating to Full Smart. Our Directors confirmed that at all material times up to the Latest Practicable Date, the voting rights and beneficial interests of the subject 20% issued share capital of Full Smart were controlled by Mr. Zhang.

In or about January 2010, the Previous Potential Investor filed an administrative action (the "**PRC Action**") with Shandong Province Dongying City Intermediate People's Court ("**Dongying People's Court**") against Dongying AIC (as defendant) and Dongying Shengli (as third party) for wrongful grant of de-registration of the Dongying Shengli Charge and non-compliance with procedures then in effect, on the basis that the Measures for Equity Interests Pledges Registration with Administration of Industry and Commence (《工商行政管理機關股權出質登記辦法》), which took effect from October 1, 2008, required that registration and/or de-registration of charges of equity interests would require a "registration" procedure instead of a "filing" procedure as previously required. Based on an administrative ruling issued by the Dongying People's Court on April 13, 2010, the Previous Potential Investor voluntarily withdrew the PRC Action on the basis that Dongying AIC agreed with the position of the Previous Potential Investor that the Dongying Shengli Charge was not de-registered as at the date thereof. In light of the above, our Group proceeded to rectify the de-registration of the Dongying Shengli Charge and on September 15, 2010 obtained the Notice of Equity Charge De-registration (the "**De-registration Notice**") issued by Dongying AIC announcing that the Dongying Shengli Charge was officially released as of the same date. Our PRC legal advisers advised that the Dongying Shengli Charge was duly released on September 15, 2010 in compliance with applicable PRC laws and regulations. In order to preempt any regulatory challenges on the transfer of entire equity interest of Dongying from Shengli Full Smart to King General as part of the Reorganisation (the "**1st Dongying Shengli Equity Transfer**") which was completed prior to the issuance of the De-registration Notice, Full Smart and King General re-executed the transfer of the entire equity interest of Dongying Shengli on November 26, 2010 (the "**2nd Dongying Shengli Equity Transfer**"), on the same terms as the 1st Dongying Shengli Equity Transfer. The 2nd Dongying Shengli Equity Transfer was approved by the Bureau of Commerce of Dongying City (東營市商務局) and registered with Dongying AIC on November 26 2010. Our PRC legal advisers advised that the 2nd Dongying Shengli Equity Transfer was duly completed in compliance with the applicable PRC laws and regulations and the above non-compliance had been fully rectified.

On February 4, 2010, a writ of summons with an indorsement of claim (the "**Unserved Writ**") was issued from the High Court of Hong Kong against Full Smart, Mr. Zhang and Dongying Shengli (together the "**Alleged Defendants**") for unspecified damages and declaratory relief (the "**HK Action**"). Since its issuance, the Unserved Writ has not been served on any of the Alleged Defendants, nor has the Previous Potential Investor served and/or put forward any statement of claim, whether in draft form or otherwise. The precise basis of the claim is unknown. In view of this, the Alleged Defendants have sought advice from a Hong Kong counsel (the "**Counsel**") who advised, *inter alia*, that (i) it is more likely than not the security interest of the Previous Potential Investor over Mr. Zhang's shares in Full Smart was that of an equitable mortgage; (ii) it is likely that the payment of the sum of HK$58,901,150 (being refund of the Investment Deposit with interest) under the Verbal Settlement Agreement would result in the discharge of the Previous Potential Investor's security interest over the shares of Full Smart; and (iii) since there can be no further underlying basis for the existence of such security when all relevant underlying obligations have been performed, the mere performance of the underlying obligations (that is, the full payments pursuant to the Verbal Settlement Agreement) is sufficient to put an end to the security interest over the shares of Full Smart. The Counsel further advised that the Alleged Defendants have no legal obligation to accede to the jurisdiction of the courts of Hong Kong for the HK Action. Acting out of prudence, the Alleged Defendants have engaged Hong Kong legal advisers including the Counsel to advise and handle the HK Action. Legal documentation for, *inter alia*, compelling the Previous Potential Investor to serve the Unserved Writ and, if the Previous Potential Investor fails to do so, an application for the dismissal of the HK Action have been prepared and are ready to be served if so instructed by the Alleged Defendants.

The above-mentioned PRC, Hong Kong and Samoa legal opinions have not been communicated to the Previous Potential Investor and/or its legal counsel. Accordingly, there is no assurance that the Previous Potential Investor and/or its legal counsel would not dispute with or object to the above-mentioned legal opinions.

Additionally, there is no assurance that our Group will not later become subject to any legal proceedings (whether initiated in Hong Kong, the PRC or elsewhere) with the Previous Potential Investor. Any legal proceedings initiated by the Previous Potential Investor against our Group may result in substantial legal costs, judgments, settlements, diversion of resources and management attention, or other results adverse to the our Group, which could materially and adversely affect our reputation, corporate or directors' image, Share price, business, financial conditions and results of operations.

Based on the advice from Samoa legal adviser, the advice from the Counsel and the advice from the PRC legal adviser (in respect of their respective jurisdiction), the Directors are of the opinion that any claims against the Company or any subsidiaries of the Group are unfounded. Further, based on De-registration Notice and the advice from our PRC legal adviser (in respect of PRC law only) advising that Dongying Shengli Charge was released on September 15, 2010, and the advice from Samoa legal adviser (in respect of Samoa law only) advising that the security over the shares of Full Smart previously pledged to the Previous Potential Investor was released, the Directors are of the opinion that the possibility that the Group would lose control over Full Smart and/or Dongying

Shengli is remote. However, due to the unspecified damages and declaratory relief of the Unserved Writ, the Directors are not able to speculate on or quantify a precise percentage of shareholding of Full Smart and/or Dongying Shengli that would have been subjected to dispute should the HK Action or any other action in relation to the Proposed Subscription materialize. There is no assurance that the Group would not lose control over Full Smart and/or Dongying Shengli if the court was to adjudicate in favour of the Previous Potential Investor.

Moreover, there is no assurance that the Previous Potential Investor will not continue to initiate legal proceedings in the PRC to challenge the validity of the de-registration of the Dongying Shengli Charge. Our Company's Hong Kong legal advisers in respect of the Global Offering have received a letter, dated November 23, 2010, purportedly from the solicitors of the Previous Potential Investor, reiterating the Previous Potential Investor's challenge. Such action, if materialized and succeeded, could result in the invalidation of the De-registration Notice which in turn would result in the Dongying Shengli Charge remaining valid. In that case, the 2nd Dongying Shengli Equity Transfer would be invalidated and Dongying Shengli would continue to be wholly owned by Full Smart instead of King General.

In view of the above, our Controlling Shareholders, have undertaken to indemnify our Group against all damages, losses, expenses or liabilities which may arise as a result of, relating to or in connection with any action (whether initiated in Hong Kong, the PRC or elsewhere) in relation to the Proposed Subscription (including the HK Action). Notwithstanding that, (i) in the unlikely event that Unserved Writ is ultimately properly served (together with statement of claims for specified damages and/or declaratory relief) and the potential legal proceeding materializes and/or (ii) in the event that other action (whether initiated in Hong Kong, PRC or elsewhere) is brought against the Alleged Defendants, which results in an adjudication by the court of the relevant jurisdiction in favour of the Previous Potential Investor for declaratory relief on the shares of Full Smart and/or Dongying Shengli, our beneficial interests in Full Smart and/or Dongying Shengli may be adversely affected which in turn may have a material and adverse impact on the assets and financial results attributable to our Company and its shareholders.

In addition, due to the lack of a national litigation database and search system in the PRC, we were only able to conduct litigation searches against members of our Group at the Shandong provincial level and Dongying and Zibo city level. Although the results of these litigation searches did not reveal any litigation, arbitration or material claim against any members of our Group, due to the limited coverage of the database and search system, we and our Directors may not be aware of all the litigation, arbitration or claims that have been initiated against any of them in other cities or provinces in the PRC.

Our business depends substantially on the continuing efforts of our management and skilled employees as well as our ability to attract and retain qualified personnel, and our business may be severely disrupted if we lose their services.

We depend substantially on the continued services of our executive officers, senior management and our skilled employees, and on our ability to attract, train and retain qualified technical personnel, particularly those with expertise in the production technologies for maleic anhydride, BDO, PBS and PBS copolymers.

For instance, we employed Dr. Zhang since November 2009 as our chief technical officer to lead our PBS research team and assist us in implementing our PBS production technology and development of PBS and PBS copolymer products. We also have technology cooperation arrangement with the Polymer Research Institute* (高分子研究所) and the State Key Laboratory of Polymer Materials Engineering* (高分子材料工程國家重點實驗室) of Sichuan University, where Dr. Zhang is also a professor and doctoral member of the Polymer Research Institute of the Sichuan University and a stationed member of the State Key Laboratory of Polymer Materials Engineering of Sichuan University. Accordingly, the development of our PBS facility has been, and will continue to be, heavily dependent upon the knowledge and skills of Dr. Zhang. While Dr. Zhang has entered into a service agreement with us, if Dr. Zhang were unable or unwilling to continue in his present position we may be unable to identify and recruit suitable replacements in a timely manner, or at all.

There is also substantial competition for qualified technical personnel, and there can be no assurance that we will be able to attract or retain our qualified technical personnel. In addition, additional qualified technical personnel will be required for the operation of our new production facilities in Zibo in the future. If one or more of our executive officers or key employees were unable or unwilling to continue in their employment 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. Our business, prospects, financial condition and results of operations may be materially adversely affected, and we may incur additional expenses to recruit, train and retain personnel. Since our industry is characterized by high demand and intense competition for talent, we may not be able to attract or retain highly skilled employees or other key personnel that we will need to achieve our strategic objectives. As our business has grown rapidly, our ability to train and integrate new employees into our operations may not meet the growing demands of our business.

We may experience a shortage of labor or our labor costs may increase.

As we expand our production capacity and increase our production, our need for production personnel will increase despite the capital intensive nature of our production. We cannot assure you that we will not experience any shortage of labor for our production needs or that the cost of labor in China will not increase in the future. If we experience a shortage of labor, we may not be able to maintain our production volume. If labor costs increase in China, our production costs will increase and we may not be able to pass these increases to our customers due to competitive pricing pressures. Accordingly, if we experience a shortage of labor or our labor costs increase, our business, prospects, financial condition and results of operations may be adversely affected.

We may not be able to effectively manage our growth.

The planned increase to our production capacity will place significant strains on our management, systems and resources. To accommodate our growth, we anticipate the 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 additional expenditure. We may fail to adequately address the risks frequently encountered by rapidly growing companies, including our potential failure to:

- maintain our profitability;
- maintain our production standards;
- expand our customer base and raise our brand recognition to increase sales of our products needed to accommodate our increased production;
- manage the logistics, utility and supply needs of our expanded operations;
- anticipate and adapt to any changes in government regulation, mergers and acquisitions involving our competitors, technological developments and other significant competitive and market dynamics;
- maintain adequate control over our expenses; or
- attract, train, motivate and retain qualified personnel.

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

Mr. Zhang, our Controlling Shareholder, will have substantial influence over us and there may be conflicts of interest between our Controlling Shareholders, us and our other Shareholders.

Immediately after completion of the Capitalization Issue and the Global Offering, Mr. Zhang will, through his shareholding in Apex Wide, own approximately 40.5% of our issued share capital (assuming the Over-allotment Option or any option to be granted under the Share Option Scheme is not exercised). Accordingly, Mr. Zhang, through Apex Wide, can exercise voting power at Shareholders' meetings and delegate member(s) to our Board and exert significant influence over our management and corporate policies, including our development strategies, capital expenditure, dividend distribution plan and corporate opportunities. In addition, circumstances may arise in which the Controlling Shareholders' interest may conflict with your interests. Potential conflicts of interest with our Controlling Shareholders may include matters relating to:

- the provisions of our Articles of Association, causing us to adopt amendments to our Articles of Association, including amendments that are not in the best interest of our other Shareholders;
- determining the outcome of most corporate actions which, subject to the applicable laws and regulations and requirements of the Hong Kong Stock Exchange, can cause us to effect corporate transactions without the approval of our other Shareholders;

- approval of potential mergers or acquisitions, asset sales, and other significant corporate transactions, including transactions which may lead to a change of control of our company;

- issuance of securities;

- investment decisions and decisions relating to capital expenditure;

- enforcement of contractual rights; and

- payment of dividends and other distributions.

Mr. Zhang will have the ability to control our management and administration, including the appointment of a majority of our Directors and, indirectly, the appointment of our executive officers through those Directors. So long as the Mr. Zhang continues to own a significant amount of our equity, even if such amount is less than 50% of the issued and outstanding Shares, he will continue to be able to strongly influence or effectively control our decisions.

We rely on dividends paid out of the profits generated by our PRC subsidiaries for foreign currency needs of other non-PRC members of our Group after the Listing.

We are a holding company incorporated in the Cayman Islands and conduct substantially all of our operations through our PRC subsidiaries. Therefore, the availability of funds to pay dividends to our Shareholders, service our foreign currency denominated indebtedness and pay for our off-shore expenditure depends upon dividends received from these subsidiaries. Regulations in the PRC currently permit payment of dividends by PRC subsidiaries only out of accumulated profits as determined in accordance with accounting standards and regulations in China. According to the 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% of its after-tax profit based on PRC accounting standards each year to its general reserves until the accumulative amount of such reserves reaches 50% of its registered capital. These reserves are not distributable as cash 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 on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us.

As a result of these PRC laws and regulations, each of our PRC subsidiaries is restricted in its ability to transfer its net profit to us in the form of dividends. We will rely on dividends paid by our PRC subsidiaries for future foreign currency needs of other non-PRC members of our Group that cannot be provided by equity issuance or borrowings. 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 foreign currency denominated indebtedness or pay our off-shore expenditure, which may have a material adverse effect on our business, prospects, financial condition and results of operations.

Our Company and its subsidiaries did not pay nor declare any dividends during the Track Record Period.

Dividends declared in the past may not be indicative of our dividend policy in the future.

Our Directors may declare dividends after taking into account, among other things, our results of operations, cash flows and financial condition, operating and capital requirements, the amount of distributable profits based on IFRS, the Memorandum and Articles of Association, the Cayman Companies Law, applicable laws and regulations and other factors that our Directors deem relevant. For further details of our dividend policy, please refer to the paragraph headed "Dividend policy" under the section headed "Financial information" in this prospectus. Our future declaration of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board. There is no assurance that the amount of dividend declared by our Company in the future, if any, will be at a level comparable with that in the past.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Substantially all of our business assets and operations are in the PRC, and all of our revenue is derived from our operations in the PRC. Accordingly, our results of operations, financial position, performance and prospects are subject, to a significant degree, to the economic, political and legal developments in the PRC, including the following risks:

Adverse changes in political and economic policies of the PRC government may have a material adverse effect on the overall economic growth of China, which may reduce the demand for our products and materially and adversely affect our competitive position.

All of our business operations are conducted in China and all of our sales are made in China. Accordingly, we expect our business, financial condition, results of operations and prospects to be affected significantly by economic, political and legal developments in China. 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 towards a market-oriented economy;
- has experienced a rapid growth rate;
- has a tightly controlled foreign exchange; and
- has demonstrated the inefficient allocation of resources.

Since 1978, China has been one of the world's fastest growing economies in terms of GDP growth. However, the growth has been uneven, both geographically and among various sectors of the economy. In transitioning from a planned economy to a more market-oriented economy, the PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall Chinese economy, but may also have a negative effect on our business. For example, our business, prospects, 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.

In addition, due to China's increasingly close trading relationship with the United States, Europe and other Asian countries, an economic slowdown or economic crisis in these countries could have a material adverse impact to China. More particularly, the recent global financial crisis that originated in the United States had resulted in an adverse impact on China's economy and had led the Chinese government to implement unprecedented stimulus plans and measures with the aim of restoring economic stability. China has since experienced an economic recovery better than most other major economies as a result of such government efforts. However, as the effects of those stimulus plans and measures wear out, the Chinese economy may or may not be able to sustain its recovered state or resume growth independently and may revert to a general economic downturn. Our business, prospects, financial condition and results of operations may be materially and adversely affected as a result.

Recent regulations relating to offshore investment activities by PRC residents may limit our ability to acquire PRC companies and may adversely affect our business, prospects, financial condition and results of operations.

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 local SAFE branches with respect to their overseas investments in offshore companies. They must also file amendments to their registrations if their offshore companies experience material events, such as changes in share capital, share transfers, mergers and acquisitions, spin-off transactions, long-term equity or debt investments or creation of any security interest in any assets located in China. 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.

Any future failure by any one 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 Company 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.

As 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 future strategies. For example, we may be subject to 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 investments 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, any of our 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 must be registered with the local SAFE branch. In addition, our capital contributions to each of our PRC subsidiaries must be approved by MOFCOM or its local counterpart. We cannot assure you that we will be able to obtain these approvals in a timely manner 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, which may have a material adverse effect on our results of operations.

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 adopts a uniform tax rate of 25% for all enterprises (including foreign-invested enterprises, or FIEs) and revokes the current tax exemptions, reductions and preferential treatments applicable to foreign-invested enterprises. 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 treatment in accordance with the then prevailing tax laws and administrative regulations. These enterprises will gradually become subject to the new, unified tax rate over a five-year period; enterprises eligible for regular tax reductions or exemptions may continue to enjoy tax preferential treatments after the implementation of the PRC EIT Law and until their preferential treatments expire. The preferential treatment period of enterprises which have not enjoyed any preferential treatments for the reason of not having made any profits, however, shall be deemed as starting 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 the enterprise income tax at the rate of 25% of its global income. On December 6, 2007, the Implementation Rules for PRC Enterprise Income Tax Law, or the Implementation Rules, was promulgated by the PRC State Council. The Implementation Rules 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, the Implementation Rules have been promulgated only recently and their implementation has yet to be further clarified in practice. Notwithstanding our status as the Cayman Islands holding company of our business, since most of our management is currently located in the PRC, there is no assurance that we will not be classified by the PRC taxation authorities to be a resident enterprise in the future, in which case our global income will be subject to PRC income tax at a tax rate of 25% and our financial condition and results of operation may be adversely affected.

Furthermore, pursuant to the PRC EIT Law, if we are determined by the PRC taxation authorities to be a resident enterprise, we would be obligated to withhold PRC income tax of up to 5% on payments of dividends on our shares to investors that are non-resident enterprises of the PRC located in Hong Kong and 10% on payments of dividends on our Shares to investors that are non-resident enterprises of the PRC located outside Hong Kong. In addition, any gain realized by any investors who are non-resident enterprises of the PRC from the transfer of our Shares could be regarded as being derived from sources within the PRC and be subject to a 10% PRC withholding tax. Such PRC withholding tax would reduce your investment return on our Shares and may also materially and adversely affect the price of our Shares.

Because the PRC legal system continues to evolve rapidly, the interpretations of many laws, regulations and rules are not always uniform and such uncertainties may have a material adverse effect on us.

We conduct all of our production operations through our wholly-owned subsidiaries established in China, which are subject to laws and regulations applicable to foreign investments in China. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited value as precedents. 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 evolve rapidly, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties. 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 the national government. 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.

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

We conduct substantially all of our operations in China and substantially 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 legal processes outside China or Hong Kong (as the case may be) upon some of our Directors and senior executive officers, including with respect to matters arising under applicable securities laws. Moreover, our PRC legal counsel has advised that China does not have treaties with the United States or many other countries providing for the reciprocal recognition and enforcement of judgment of courts. In addition, according to PRC Civil Procedures Law, courts in the PRC will not enforce a foreign judgment if they decide that the judgment violates the basic principles of PRC Laws or national sovereignty, security or public interest. Therefore, it may be difficult for you to enforce against us in the PRC any judgments obtained from non-PRC courts.

The Chinese economy may experience inflationary pressure, which may lead to an increase in interest rates and a slowdown in economic growth.

In response to concerns regarding China's high rate of growth in industrial production, bank credit, fixed investment and money supply, the PRC government has taken measures to slow down economic growth to a more manageable level. Among the measures that the PRC government has taken are restrictions on bank loans in certain sectors. These measures have historically contributed to a slowdown in economic growth in China and a reduction in demand for consumer goods. These measures and any additional measures, including a possible increase in interest rates, could contribute to a further slowdown in the Chinese economy.

Fluctuation in exchange rates may have a material adverse effect on your investment.

All of our sales are denominated in Renminbi. Fluctuations in exchange rates, particularly among the U.S. Dollar, Renminbi and Hong Kong Dollar, 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.

The change in value of the Renminbi against the U.S. Dollar, Hong Kong Dollar and other currencies is affected by, among other things, changes in China's political and economic conditions. 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 21.0% appreciation of Renminbi against the U.S. Dollar between July 2005 and October 2010. 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. To the extent that we need to convert Hong Kong Dollar and U.S. Dollars we receive from the Global Offering into Renminbi for our operations, appreciation of the Renminbi against the U.S. Dollar and Hong Kong Dollar would have an adverse effect on the Renminbi amount we receive from the conversion. Conversely, if we decide to convert our Renminbi into Hong Kong Dollar and 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 and Hong Kong Dollar against the Renminbi would have a negative effect on the Hong Kong Dollar and U.S. Dollar amount available to us.

In addition, an appreciation in the value of the Renminbi against foreign currencies may make our BDO (and, in the future, our PBS and PBS copolymers) more expensive for our international customers (if any in the future) as well as reduce the competitiveness of our PRC customers in the international market, thus potentially affecting our sales and profitability negatively. Furthermore, many of our competitors are foreign companies that could benefit from such a currency fluctuation, making it more difficult for us to compete with these companies.

An outbreak of any severe communicable disease in the PRC may have an adverse effect on the economies of certain Asian countries and may adversely affect our results of operations.

The outbreak of any severe communicable disease in the PRC could have a material adverse effect on the overall business sentiment and environment in the PRC, which in turn may have a material adverse effect on domestic consumption and overall GDP growth. As 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 disrupt our operations. The spread of any severe communicable disease in the PRC may also affect the operations of our customers and suppliers, which may lead to reduced orders or scarcity of raw materials, respectively.

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, there has been no public market for our Shares. The Offer Price so determined 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 Hong Kong Stock Exchange for the listing of, and permission to deal in our Shares. However, there is no assurance that the Listing 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 China. We can give no assurance that these developments will not occur in the future. In addition, Shares of other companies listed on the Hong Kong 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.

Current volatility in the global financial markets could cause significant fluctuations in the price of our Shares.

Financial markets around the world have been experiencing heightened volatility and turmoil since 2008. Upon listing, the price and trading volume of our Shares will likely be subject to similar market fluctuations which may be unrelated to our operating performance or prospects. Factors that may significantly impact the volatility of our stock price include:

- developments in our business or in the financial sector generally, including the effect of direct governmental actions in the financial markets;
- the operating and share price performance of companies that investors consider to be comparable to us;
- announcements of strategic developments, acquisitions and other material events by us or our competitors; and
- changes in global financial markets, global economies and general market conditions, such as interest or foreign exchange rates as well as stock and commodity valuations and volatility.

As a result of these market fluctuations, the price of our Shares may decline significantly, and you may loose a significant value on your investments.

Purchasers of our Shares in the Global Offering will experience immediate dilution and may experience further dilution if we issue additional Shares 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, which amounted to HK$1.57 per Share based on the maximum Offer Price of HK$3.33 per Share.

In order to expand our business, we may consider offering and issuing additional Shares 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.

The laws of the Cayman Islands relating to the protection of interest of minority shareholders are different from those in Hong Kong.

Our corporate affairs are governed by our Memorandum and Articles of Association and by the Cayman Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong. These differences may mean that our minority Shareholders may have different protections than they would have under the laws of Hong Kong. A summary of Cayman Islands law on the protection of minority shareholders is set out in "Summary of the constitution of our Company and the Cayman Islands Company Law" in Appendix V to this prospectus.

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 our Controlling Shareholders are subject to certain lock-up periods. See the section headed "Underwriting" in this prospectus for further information. We cannot assure you that, after such restrictions expire, our Controlling 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.

We believe that our existing cash and cash equivalents together with the net proceeds from this Global Offering will be sufficient to meet our anticipated cash needs for the next 12 months following the Listing. The timing and amount of our working capital and capital expenditure requirements may vary significantly depending on a number of factors, including market acceptance of our products, the need to adapt to changing technologies and technical requirements, and the existence of opportunities for expansion.

If our capital resources are insufficient to satisfy our liquidity requirements in the future, we may seek to raise additional funds through the issue of new equity securities or debt securities or obtain debt financing. The issue of additional equity securities or convertible debt securities by our Company other than on a pro-rata basis will result in additional dilution to our Shareholders, and such convertible securities so issued may confer rights and privileges that take priority over those conferred by our Shares. On the other hand, additional debt would result in increased expenses and could result in covenants that would restrict our operations. We have not made arrangements to obtain additional financing, and there is no assurance that financing, if required, will be available in amounts or on terms acceptable to us, if at all.

We cannot guarantee the accuracy of facts, forecasts and other statistics with respect to China, the Chinese economy and China's petrochemical industry contained in this prospectus.

Certain facts and statistics in this prospectus related to the PRC, its economy and the industries in which we operate within the PRC are derived from public and official government publications generally believed to be reliable. While we believe that the sources of such facts and statistics are appropriate sources for such facts and statistics and have taken reasonable care to extract or reproduce such information, we cannot guarantee the quality and reliability of such source materials. These facts and statistics have not been independently verified by us, the Joint Sponsors or the Underwriters or any of our or their respective affiliates or advisers and, therefore, neither we nor any of the Joint Sponsors or

Underwriters make any 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. Furthermore, 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 in other jurisdictions. Investors should carefully consider how much importance they should attach to such facts and statistics.