This section sets forth a summary of the most significant regulations or requirements that affect our business activities in China or our Shareholders' right to receive dividends and other distributions from us.

ENVIRONMENTAL REGULATIONS

We use, generate and discharge toxic, volatile or otherwise hazardous chemicals and wastes in our research and development and manufacturing activities. We are subject to a variety of governmental regulations related to the storage, use and disposal of hazardous materials. The major environmental regulations applicable to us include the "Environmental Protection Law of the People's Republic of China" (中華人民共和國環境保護法), the "Water Pollution Prevention Law of the People's Republic of China" (中華人民共和國水污染防治法), the "Atmospheric Pollution Prevention Law of the People's Republic of China" (中華人民共和國大氣污染防治法), the "Environmental Noise Pollution Prevention Law of the People's Republic of China" (中華人民共和國環境噪音污染防治法) the "Environmental Impact Assessment Law of the People's Republic of China" (中華人民共和國環境影響評價法), the "Regulations Governing Environmental Protection in Construction Projects" (建設項目環境保護管理條例) and the "Regulations Governing Completion Acceptance of Environmental Protection Facilities in Construction Projects" (建設項目環境保護設施竣工驗收管理規定).

According to the "Environmental Protection Law of the People's Republic of China" and the "Environmental Impact Assessment Law of the People's Republic of China" promulgated by the Standing Committee of the National People's Congress (全國人民代表大會常務委員會) respectively on December 26, 1989 and October 28, 2002, the "Regulations Governing Environmental Protection in Construction Projects" promulgated by the State Council of the People's Republic of China on November 29, 1998, and the "Regulations Governing Completion Acceptance of Environmental Protection in Construction Projects" promulgated by the Administration of Environmental Protection (國家環保總局) (the successor to which is the Ministry of Environmental Protection) on December 31, 1994, we shall submit the Report on Environmental Impact Assessment (環境影響評價報告) to the competent environmental protection authorities for approval and we shall also submit the Application Letter for Acceptance of Environmental Protection Facilities in Construction Projects (建設項目環境保護設施竣工驗收申請報告) to such authorities for approval before commencing the actual production.

According to the "Environmental Protection Law of the People's Republic of China", the "Water Pollution Prevention Law of the People's Republic of China" promulgated on May 11, 1984 and amended on May 15, 1996 and February 28, 2008 by the Standing Committee of the National People's Congress, and the "Atmospheric Pollution Prevention Law of the People's Republic of China" promulgated on September 5, 1987 and amended on August 29, 1995 and April 29, 2000 respectively by the Standing Committee of the National People's Congress, we shall obtain the Pollution Discharge Permit (排污許可證) if we directly discharge the waste water or the waste gas into the waters or the air.

REQUIREMENTS OF SAFE PRODUCTION

As we use and manufacture dangerous chemicals in our production, we must meet PRC government standards and the relevant provisions of the State regulations. The major regulations of safe production applicable to us include the "Implementation Measures for the Safety Permit of Dangerous Chemicals Construction Projects" (危險化學品建設項目安全許可實施辦法), the "Regulations on the Safe Management of Dangerous Chemicals" (危險化學品安全管理條例), the "Regulations on the Safety Production Permit" (安全生產許可證條例) and the "Implementation Measures for the Safety Production Permit for the Manufacturers of Dangerous Chemicals" (危險化學品生產企業安全生產許可證實施辦法).

According to the "Implementation Measures for the Safety Permit of Dangerous Chemicals Construction Projects" promulgated by the State Administration of Work Safety (國家安全生產監督管理總局) on September 2, 2006, we shall conduct safety evaluation before the establishment (approval, rectification or filing) of the construction project of the dangerous chemicals.

According to the "Regulations on Labor Protection for Toxic Substances Used at Working Place" (使用有毒物品作業場所勞動保護條例) promulgated by the State Council of the People's Republic of China on May 12, 2002, we must take effective protective measures to prevent occupational poisoning incidents, take out industrial injury insurance and implement safety measures to protect the safety and health of our employees.

According to the "Regulations on the Safe Management of Dangerous Chemicals" and the "Regulations on the Safety Production Permit" promulgated by the State Council of the People's Republic of China respectively on January 26, 2002 and on January 13, 2004 and the "Implementation Measures for the Safety Production Permit for the Manufacturers of Dangerous Chemicals" promulgated jointly by the State Administration of Work Safety and the State Administration of Coal Mine Safety (國家煤礦安全監察局) on May 17, 2004, we shall obtain the Production Permit for the dangerous chemicals (say, THF, which falls into the Catalogue of Dangerous Chemicals (GB 12268-2005) (《危險貨物品名表》(GB 12268-2005)) we produce, and we must establish and improve the rules and systems of safety control for the use of dangerous chemicals, so as to guarantee the safe use and administration of such dangerous chemicals.

Depending on the categories and characteristics of the dangerous chemicals we use, we must establish corresponding safety facilities and equipment for the monitoring and ventilation of dangerous chemicals. Systems must also be established to protect against solarization, static, temperature changes, fire, lightening and pressure changes including systems to fireproof, disinfect, neutralize, moisture-proof, and leak-proof storage areas. Storage areas should be segregated and maintenance of such sites is to be undertaken in accordance with PRC government standards to guarantee compliance with safe operation requirements. We must also establish communication or alarm devices at production and storage areas that use dangerous chemicals and must further guarantee that the devices are in proper working order under normal circumstances.

PRODUCTION FACILITIES CONSTRUCTION

Pursuant to the "Interim Measures for the Administration of Examining and Approving Foreign Investment Projects" (外商投資項目核准暫行管理辦法) which became effective on October 9, 2004, foreign invested projects must be approved by the NDRC or its local agency. Pursuant to the "Environmental Impact Assessment Law of the People's Republic of China" (中華人民共和國環境影響評價法) which became effective on September 1, 2003, entities proposed to conduct construction projects are required to submit environmental impact appraisal documents of construction projects to the competent administrative department in charge of environmental protection for examination and approval. Pursuant to the "Implementation Measures for Safety Permit of Dangerous Chemical Construction Projects" (危險化學品建設項目安全許可實施辦法) which became effective on October 1, 2006, entities undertaking construction projects are required, on the commencement of the construction projects, to apply for a safety review to the department in charge of safety licensing for construction projects and obtain safety licences for project construction. As confirmed by our PRC legal advisers, our Group has obtained all the regulatory approvals and licenses as required under the above laws and regulations for the construction of the new BDO, PBS and PBS copolymer facilities. Our PRC legal advisers have advised us that, as at the Latest Practicable Date, our Group has been in compliance with such laws, regulations and rules in all material respects.

TAXATION

PRC enterprise income tax is calculated based on taxable income determined under PRC accounting principles. Prior to the PRC EIT Law and its implementation rules that became effective on January 1, 2008, in accordance with the "PRC Income Tax Law for Enterprises with Foreign Investment and Foreign Enterprises" (外商投資企業和外國企業所得税法), or the Income Tax Law, and the related implementing rules, foreign invested enterprises incorporated in the PRC are generally subject to an enterprise income tax rate of 33.0% (30.0% of state income tax plus 3.0% local income tax). The Income Tax Law and the related implementing rules provide certain favorable tax treatments to foreign invested enterprises. Production-oriented foreign-invested enterprises scheduled to operate for a period of ten years or more are entitled to exemption from income tax for two years commencing on the first profit-making year and a 50.0% reduction in income tax for the subsequent three years. In certain special areas such as coastal open economic areas, special economic zones and economic and technology development zones, foreign-invested enterprises are entitled to reduced tax rates, namely: (1) in coastal open economic zones, the tax rate applicable to production-oriented foreign-invested enterprises is 24.0%; (2) in special economic zones, the rate is 15.0%; and (3) certified high and new technology enterprises incorporated and operated in economic and technology development zones determined by the State Council may enjoy a 50.0% deduction of the applicable rate.

On March 16, 2007, the National People's Congress approved the "PRC Enterprise Income Tax Law" (中華人民共和國企業所得税法), or the PRC EIT Law, which became effective on January 1, 2008. The State Council subsequently promulgated the "Implementation Regulations of the PRC Enterprise Income Tax Law" (中華人民共和國企業所得税法實施條例) and the "Notice on the Implementation of the Transitional

Preferential Policies in respect of the Enterprise Income Tax" (關於實施企業所得税過渡優惠政策的通知), respectively, on December 6 and 26, 2007. The PRC EIT Law adopts a uniform tax rate of 25.0% for all enterprises (including foreign-invested enterprises) and revokes the current tax exemption, reduction 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, up until March 16, 2007, and administrative regulations. These enterprises will gradually become subject to the new, unified tax rate over a five-year period beginning January 1, 2008; 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 for enterprises which have not enjoyed any preferential treatment 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 25.0% on its global income. Under the Implementation Rules for the PRC EIT Law, "de facto management bodies" are defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. If the PRC tax authorities subsequently determine that, notwithstanding our status as a Cayman Islands holding company, we should be classified as a resident enterprise, then our global income will be subject to PRC income tax at a tax rate of 25.0%. Furthermore, under the PRC EIT Law, dividends payable from FIEs to their non-PRC enterprise investors are subject to a withholding tax at a rate of 10.0%. Given that the PRC EIT Law has been promulgated only recently, its implementation has yet to be further clarified in practice. Moreover, our historical operating results may not be indicative of our operating results for future periods as a result of the expiration of the tax holidays we enjoy.

Pursuant to the Provisional Regulations on value-added tax and their implementing rules, all entities and individuals that are engaged in the sale of goods, the provision of repairs and replacement services and the importation of goods in China are generally required to pay value-added tax at a rate of 17.0% of the gross sales proceeds received, less any deductible value-added tax already paid or borne by the taxpayer. Furthermore, when exporting goods, the exporter is entitled to the refund of some or all of the value-added tax that it has already paid or borne. Imported raw materials that are used for manufacturing export products and are deposited in bonded warehouses are exempt from import value-added tax.

FOREIGN CURRENCY EXCHANGE

Foreign currency exchange in China is primarily governed by the following regulations:

- Foreign Exchange Administration Rules (外匯管理條例) (1996), as amended (1997 and 2008); and

- Regulations on the Control Of Settlement, Sale and Payment of Exchange (結匯、售匯及付匯管理規定) (1996).

Under the Foreign Exchange Administration Rules, the Renminbi is freely convertible for current account items, including distribution of dividends, payment of interest, trade and service-related foreign exchange transactions. Conversion of Renminbi for capital account items, such as direct investment, loans, securities investment and investment repatriation, however, is still subject to the approval of SAFE.

Under the Regulations on the Control Of Settlement, Sale and Payment of Exchange, foreign-invested enterprises may only buy, sell and/or remit foreign currencies at those banks authorized to conduct foreign exchange business after providing valid commercial documents and, in the case of capital account item transactions, obtaining approval from SAFE. Capital investments by foreign-invested enterprises outside of China are also subject to limitations, which include approvals by the MOFCOM, SAFE and NDRC.

DIVIDEND DISTRIBUTION

The principal regulations governing distribution of dividends paid by wholly foreign-owned enterprises include:

- Wholly Foreign-Owned Enterprise Law (中華人民共和國外資企業法) (1986), as amended (2000); and

- Wholly Foreign-Owned Enterprise Law Implementation Rules (中華人民共和國外資企業法實施細則) (1990), as amended (2001).

Under these regulations, wholly foreign-owned enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign-owned enterprise in China is required to set aside at least 10.0% of its after-tax profit based on PRC accounting standards each year to a general reserves until the accumulative amount of such reserves reaches 50.0% of its registered capital. These reserves are not distributable as cash dividends. The board of directors of a foreign-invested enterprise has the discretion to allocate a portion of its after-tax profits to staff welfare and bonus funds, which may not be distributed to equity owners except in the event of liquidation.

CIRCULAR NO. 75

On October 21, 2005, SAFE issued Circular No. 75, which became effective as at November 1, 2005. According to Circular No. 75 and the related clarifications issued since then, prior registration with the local SAFE branch is required for PRC natural or legal person residents to establish or to control an offshore company for the purposes of financing that offshore company with assets or equity interests in an onshore enterprise located in the PRC and raising funds from overseas. An amendment to registration or filing with the local SAFE branch by such PRC resident is also required for the injection of equity interests or assets of an onshore enterprise in the offshore company or overseas funds raised by such offshore company, or any other material change involving a change in the capital of the offshore company.

Circular No. 75 applies retroactively. As a result, PRC residents who have established or acquired control of offshore companies that have made onshore investments in the PRC in the past are required to complete the relevant registration procedures with the local SAFE branch by March 31, 2006. Under the relevant rules, failure to comply with the registration procedures set forth in Circular No. 75 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the increase of its registered capital, the payment of dividends and other distributions to its offshore parent or affiliate and the capital inflow from the offshore entity. If any PRC shareholder of any offshore company fails to make the required SAFE registration and amendment, the PRC subsidiaries of that offshore company may also be prohibited from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to the offshore company. Moreover, failure to comply with the SAFE registration and amendment requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions. PRC residents who control our Company from time to time are required to register with the SAFE in connection with their investments in us and have done so.

REGULATIONS OF OVERSEAS INVESTMENTS AND LISTINGS

On September 8, 2006, the "Rules on the Acquisition of Domestic Enterprises by Foreign Investors in the PRC" (關於外國投資者併購境內企業的規定), or the M&A Rules, came into effect. Under the M&A Rules, a foreign investor is required to obtain necessary regulatory approvals when it (i) acquires equity interests of a domestic enterprise resulting in the conversion of the domestic enterprise into a foreign-invested enterprise; (ii) subscribes additional equity capital of a domestic enterprise resulting in the conversion of the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise and conducts asset acquisition from a domestic enterprise; or (iv) acquires assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise. In addition, if a security offering involves a reorganization that falls within the scope of the activities described above, an approval from the CSRC is required for the Global Offering.

According to our PRC legal adviser, Jun He Law Offices, our Company has never conducted any merger and acquisition activities described in the M&A Rules after September 8, 2006. As a result, the M&A Rules are not applicable to the Global Offering and the Global Offering does not require the approval of the CSRC.