This industry overview section contains some information and statistics concerning the national and regional PRC chemical industry that is wholly derived from a report prepared by Frost & Sullivan for the Company. The information herein may not be consistent with information compiled by other institutions within or outside China. Due to the inherent time-lag involved in collecting any industry and economic data, some or all of the data contained in this section may only present facts and circumstances being described at the time such data was collected. As such, you should also take into account subsequent changes and developments in our industry and the PRC economy when you evaluate the information contained in this section.

We believe that the source of the information herein is appropriate and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Market analyses and views about the future of the chemical industry represent Frost & Sullivan's estimates or judgment, based on the sources cited, and are subject to the validity of the assumptions noted herein. The information has not been independently verified by us, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners or any of their respective affiliates or advisors, nor have any other parties involved in this offering independently verified such information or statistics. No representation is given as to the accuracy of such information.

INTRODUCTION

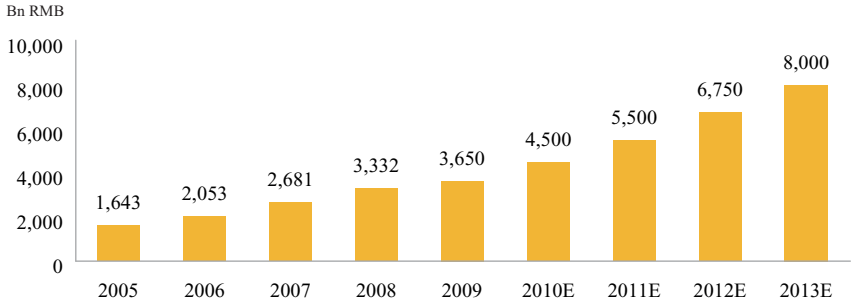
We operate in the specialty chemical market in China. Our principal product categories include bleaching and disinfectant chemicals, and ADC foaming agent. We also produce other chemicals such as potassium chlorate, sodium perchlorate, potassium perchlorate, caustic soda and biurea.

CHEMICAL INDUSTRY IN CHINA

In line with the steady growth of the PRC's economy, the chemical industry has seen continuous expansion in recent years. From 2005 to 2009, investment in the industry rose from RMB220.1 billion to RMB637.5 billion, representing a CAGR of 30.5%. The market size grew from RMB1,643 billion to RMB3,650 billion from 2005 to 2009 in terms of revenue, representing a CAGR of 22.1%.

According to Frost & Sullivan, the chemical industry in the PRC is expected to expand further in the near future as demand continues to increase. Industry revenues are forecasted to reach RMB8,000 billion by 2013, with a CAGR of 21.7% from 2009 to 2013.

Market size of China Chemical Industry



Source: Frost & Sullivan Report

Market and industry segmentation

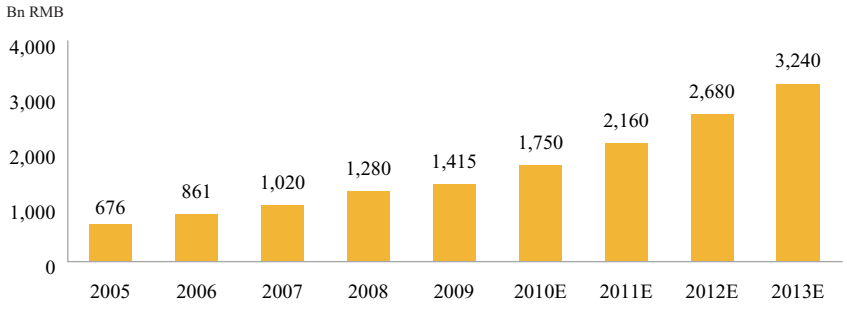
The Chinese chemical industry can be divided into two principal segments, namely basic and commodity chemicals, and specialty chemicals. Basic and commodity chemicals are those sold strictly on the basis of their chemical composition. They are principally single-chemical entities, such as ethanol, with low monetary value and thus are sold primarily in bulk. Specialty chemicals, or fine chemicals, are of comparatively higher value, and represent a diverse product market that has grown quickly over the past few years. Specialty chemicals are usually classified by their particular characteristics and are marketed based on their application and functions, rather than chemical composition. Common examples of specialty chemicals include electronic chemicals, industrial gases, adhesives, sealants, paints, coatings, bleaching and disinfectant chemicals, catalysts and foaming agent.

Key Market Segments of the Chemical Industry in China

Market size

The Chinese government has continuously promoted the development of the specialty chemical market, though historically the PRC's chemical industry has largely been centered on the manufacturing of basic and commodity chemicals. China's specialty chemicals market size was approximately RMB1,415 billion in 2009, accounting for approximately 38.8% of the overall chemical industry in China. According to Frost & Sullivan, the specialty chemical market is expected to expand at a CAGR of 23.0% from 2009 to 2013 and is expected to account for approximately 40.5% of the overall chemical industry in the PRC by 2013.

Market size of China Specialty Chemical Industry



Source: Frost & Sullivan Report

SODIUM CHLORATE MARKET

Description of sodium chlorate

Sodium chlorate, or $NaClO_3$, exists in the form of a white crystalline powder that is easily dissolved in water. Industrially, sodium chlorate is produced from the electrolysis of hot sodium chloride solution in a mixed electrode cell:

$$NaCl + 3H_2O \rightarrow NaClO_3 + 3H_2$$

The chemical reaction formed when chlorine gas is passed through a hot sodium hydroxide solution, and then purified by crystallization, produces sodium chlorate.

Market drivers

The key drivers of the Chinese sodium chlorate market include (i) increasing demand from the pulp and paper industry, (ii) environmentally friendly substitute for liquid chlorine in water treatment, and (iii) benefits from economies of scale.

Increasing demand from the pulp and paper industry

The Chinese government has introduced the ECF production process into the pulp and paper industry. ECF has been mandated by the European Union, stipulating a reduction in the usage of chlorine in bleaching processes. According to the Paper Industry Development Policy issued by the NDRC in 2007, the usage of elemental chlorine (Cl_2) is forbidden in newly built pulp and paper projects, and existing projects are also encouraged to adopt ECF production processes. Sodium chlorate is used to produce chlorine dioxide (ClO_2), which is considered to be a substitute for Cl_2 as an oxidizing agent and has the advantages of having no carcinogenic effects, with high bleaching and disinfection performance. The ECF policies are thus expected to boost the demand for sodium chlorate from the pulp and paper industry in the PRC.

Environmentally friendly substitute for liquid chlorine in water treatment

Sodium chlorate is used to generate chlorine dioxide (ClO_2). Currently, the dominant method of treating drinking water in the PRC is the use of liquid chlorine. ClO_2 is a more environmentally friendly alternative which has been widely applied in developed countries. The use of ClO_2 as a disinfectant does not generate toxic organic pollutants such as trihalomethanes. The use of ClO_2 to treat drinking water has been recommended by the World Health Organization, the U.S. Food and Drug Administration, and the U.S. Environmental Protection Agency. As the required standards of drinking water improve in the PRC, the utilization of ClO_2 is predicted to accelerate, which will benefit the growth of the sodium chlorate market.

Benefits from economies of scale

The sodium chlorate industry is capital-intensive and requires high energy consumption, but economies of scale can help reduce per unit operating costs. In recent years, a number of major sodium chlorate suppliers in the PRC have already expanded their production capacity. For example, the West Hope Group, one of the leading suppliers in the PRC, is planning to expand its capacity and to become one of the top suppliers by capacity in the PRC. When these projects are put into operation, the market shares of these major suppliers are expected to increase.

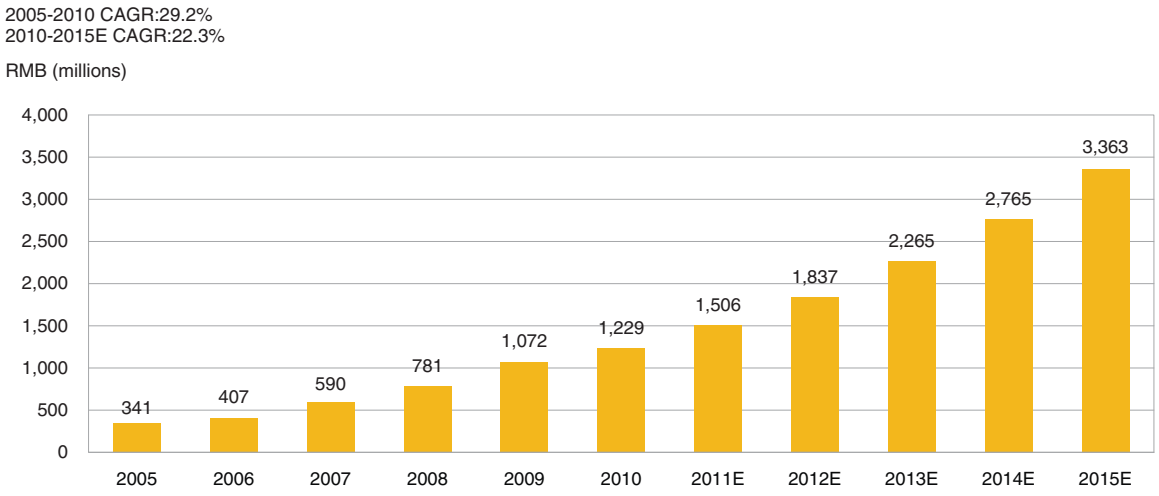
Sodium chlorate market outlook and prospects

Market size and growth in China

The sales volume of sodium chlorate experienced steady growth from 102,400 tons in 2005 to 340,300 tons in 2010, representing a CAGR of 27.1%. Taking into consideration increasing demand from the pulp and paper industry, environmental concerns and the replacement of traditional disinfection chemicals, Frost & Sullivan anticipates that sodium chlorate sales volume in the PRC is likely to continue to grow from approximately 340,300 tons in 2010 to 809,200 tons in 2015, a CAGR of 18.9%.

According to Frost & Sullivan, in terms of revenue, the sodium chlorate market in China will continue to grow from an estimated market size of approximately RMB1,506 million in 2011 to RMB3,363 million in 2015. The CAGR between 2010 and 2015 is expected to be approximately 22.3%.

Historical Market Size and Growth Forecast for the Sodium Chlorate Market (China), 2005 – 2015E



Source: Frost & Sullivan Report

Japan Market Analysis

China's export of sodium chlorate has steadily increased during recent years. As one of the largest suppliers of sodium chlorate in China, the Group was also the largest exporter of sodium chlorate in China in 2010 in terms of sales volume. In 2009, the Group exported approximately 20,194 tons of sodium chlorate, accounting for approximately 39.4% of total PRC export volume of sodium chlorate. In 2010, the Group exported approximately 34,060 tons of sodium chlorate, accounting for approximately 52.4% of total PRC export volume for sodium chlorate.

The Group's main export market for sodium chlorate is Japan. Due to high production costs and stringent environmental protection rules, Japan imports sodium chlorate extensively. Other key exporters of sodium chlorate to Japan include large European and Canadian companies such as Eka (Akzo Nobel), Kemira, Canexus, and ERCO Worldwide. However, the production facilities of these companies are mainly located in Canada or the United States. The long transportation distance between North America and Japan contributes to a higher delivery cost and longer lead time. As a result, only a small proportion of the output from the exporters located in North America are shipped to Japan. Due to these factors, the Group, because of its geographic location, is able to capture a larger market share of sodium chlorate exports to Japan. Sodium chlorate exports to Japan increased from 11,237 tons in 2007 to 24,600 tons in 2010. According to Frost & Sullivan, the Group's export of sodium chlorate to Japan as a percentage of total sodium chlorate imported by Japan increased from 18.3% in 2007 to 46.8% in 2010.

Industry risks and challenges

Rise of electricity prices

As the electrolysis method is widely utilized in the sodium chlorate industry, electricity cost has been the major operating cost for sodium chlorate plants. Electricity prices have continued to rise in recent years and this trend is likely to continue for the immediate future. Increasing electricity costs are expected to be a challenge for sodium chlorate suppliers from the PRC.

Competition from substitutes

The PRC government has introduced ECF policies prohibiting the application of elemental chlorine. Besides sodium chlorate, other substitutes of elemental chlorine include hydrogen peroxide (H_2O_2). Sodium chlorate is therefore likely to face competition from other substitutes as well.

Industry competition

In order to benefit from economies of scale and to improve profit margins, the major suppliers in the industry, such as Lantai and the West Hope Group, have announced capacity expansion projects. When these projects are completed and begin operation, the total production capacity of the PRC sodium chlorate industry will increase.

Rise of raw material prices

The main raw materials of sodium chlorate are sodium chloride (NaCl) and water, the prices of which have risen in recent years. The rise of raw material costs are likely to bring down profit margin for the industry.

Critical success factors

The factors that contribute to success in the sodium chlorate industry include high product quality, technical expertise, reliable electricity supply, and reliable plant and equipment.

High product quality

High quality sodium chlorate appears as fine, white, high purity crystals. Sodium chlorate produced in China must conform to the National Standard for Quality Product (GB-1618-2008). High quality sodium chlorate not only improves the quality of the products it is used to manufacture, but also ensures a cleaner and safer production process, minimizing waste and impurities. Long-term product development, including continuous investment, expertise, research and testing are necessary to produce high-quality sodium chlorate.

Technical expertise

Technical expertise is necessary to ensure continuous product development, especially in product quality improvements, the creation of new downstream products, and the development of new technologies to increase productivity and cost efficiency. The production of sodium chlorate employs various machinery and equipment, and hence technical experts are needed for their operation and maintenance. Equipment failure may cause significant adverse effects on production. To a certain extent, technical experts can also provide professional advice to end-users on how to optimally utilize sodium chlorate in their respective plants.

Reliable supply of electricity

The sodium chlorate production process is highly automated, and therefore highly dependent on maintaining a sufficient and continuous power supply. Power failures in the production process may lead to financial losses.

Reliable plant and equipment

Reliable plant and equipment helps reduce labor expenses as well as maintain higher safety and environmental standards. For example, the graphite anode electrolysis cell is becoming increasingly obsolete due to its low conductivity, which causes high energy consumption and low yields. The current and more commonly used electrolysis cell in chemical production is DSA. This electrolysis cell is highly automated and has a high efficiency rate, whereby its power consumption is relatively low while offering a high and consistent yield.

Competitive landscape

In 2010, the top five local key players in the Chinese sodium chlorate market accounted for a combined market share of approximately 78.5% in terms of revenue, with the Company accounting for 21.3% market share. The remaining 21.5% of the market is held by smaller, more regionally focused players. The table below presents the key players in China's sodium chlorate market and their respective market shares.

Key Players in the China Sodium Chlorate Market and Market Shares, 2010

No	Key Industry Players	Market Share by Revenue (%)	Market Share by Volume (%)
1	Group A	21.4	21.2
2	The Group	21.3	20.0
3	Group B	13.2	13.0
4	Group C	11.3	11.9
5	Group D	11.3	11.9
	Others	21.5	22.0
	Total	**100.0**	**100.0**

Source: Frost & Sullivan Report

Barriers to entry

Capital

Substantial capital investment is required to set up a sodium chlorate plant, even with minimal machinery and equipment for moderate production capacity. Such start-up investments include:

- production lines capable of producing a complete range of chlorate products, including sodium chlorate, potassium chlorate, sodium perchlorate and potassium perchlorate;
- a waste treatment system, including treatment for byproducts, waste water and toxic waste, conforming to the safety and environmental requirements of the Chinese government; and
- quality control, testing and research and development.

Besides start-up costs, other costs which may be incurred include maintenance costs, labor costs and operational costs. In addition, the power consumption for a chemical production plant is typically high. Therefore, new entrants must possess strong financial resources when considering entering the sodium chlorate market.

Technology

New entrants to the sodium chlorate industry must be able to conform to the National Standard for Quality Product (GB-168-2008). Producers entering the high-end market typified by sodium chlorate with high whiteness, low impurity, and good fluidity performance must have advanced electrolysis and crystallization technologies.

HYDROGEN PEROXIDE MARKET

Description of hydrogen peroxide

Hydrogen peroxide (H_2O_2) is a pale blue liquid which has a slightly higher viscosity than water, and appears colorless in a dilute solution. It is a weak acid with strong oxidizing properties, and has proven to be a powerful bleaching agent. The production of hydrogen peroxide is a continuous process which involves sequential hydrogenation, oxygenation and extraction. Hydrogen peroxide is widely used in various downstream industries. In the PRC, it is mostly utilized in the production of textile, pulp and paper, and in chemical synthesis, while applications in water and wastewater treatment, food, and semiconductor and electronics industries have also emerged in recent years. Hydrogen peroxide can also be used in electroplating cleaning, aquiculture, cosmetics, sterilization and clinical disinfection.

In China, hydrogen peroxide industrial products are generally classified into five solution types, which include 27.5%[(1)], 35%, 50%, 70% and 85%. More than 80% of the hydrogen peroxide grades consumed in China have a concentration of less than 50%. Each solution is used for different applications based on the concentration levels required by industry. Data regarding hydrogen peroxide in this section have been converted to 27.5% concentration to make the statistics comparable.

Market drivers

The key drivers for the Chinese hydrogen peroxide market include (i) increasing demand for effective and environmentally safe products in the pulp and paper and textile industries; (ii) rising water and wastewater treatment demand; and (iii) differentiation and quality upgrade of hydrogen peroxide products.

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(1) Hydrogen peroxide with a concentration grade of 27.5% plays a predominant role in the Chinese market. As a result, most statistics on hydrogen peroxide are converted to the equivalent of 27.5% solution in order to make the statistics comparable. The formula for this calculation can be summarized as below:

Formula:

Using the 27.5% concentration as the basis for calculation, all non 27.5% grades will be converted to this concentration:

$$\textbf{Tonnage (27.5\% concentration)} = \frac{\textbf{(Y tonnage x N) x 100\%}}{\textbf{27.5}}$$

Y = tonnage of other concentration (35%, 50%, 70% and 85%)
N = concentration percentage of Y

Rising demand for effective and environmentally safe products in pulp and paper and textile industries

As in the sodium chlorate market, the introduction of the ECF production process and TCF production process to the pulp and paper industry in the PRC has been one of the major market drivers for hydrogen peroxide and its derivatives. As the criteria took effect in 2007, the application of hydrogen peroxide in pulp and paper industry is at a nascent stage. With chlorine being increasingly a source of environmental concern, hydrogen peroxide, which does not produce residues or gases, and is completely water soluble, may become an ideal substitute as a bleaching agent for both pulp and paper, as well as textile industries in the PRC.

Rising demand for water and wastewater treatment

Demand for hydrogen peroxide is expected to increase significantly in the next five to 10 years from favorable government initiatives regarding wastewater treatment. According to Frost & Sullivan, the water and wastewater treatment market in the PRC is expected to expand at a CAGR of 13.6% from 2009 to 2015. Although liquid chlorine is still widely applied in municipal water treatment plants nationwide, related safety and pollution issues are likely to be increasingly considered with the reinforcement of pollution treatment, and the implementation of more stringent laws and regulations in the PRC over the course of the 12th Five-year Plan period (2011-2015).

Differentiation and quality upgrade of hydrogen peroxide products

Hydrogen peroxide is increasingly used in the food, semiconductor and electronics industries. Manufacturers seek to minimize the commoditization of this chemical by offering customized products for a range of applications and processes within various end-uses. Thus far, the majority of high-concentration hydrogen peroxide used in the electronics industry has been imported. Because of the difficulty and high cost of transportation, localization may be a growing trend. Therefore, hydrogen peroxide products are expected to undergo greater diversification and quality upgrades in the near future.

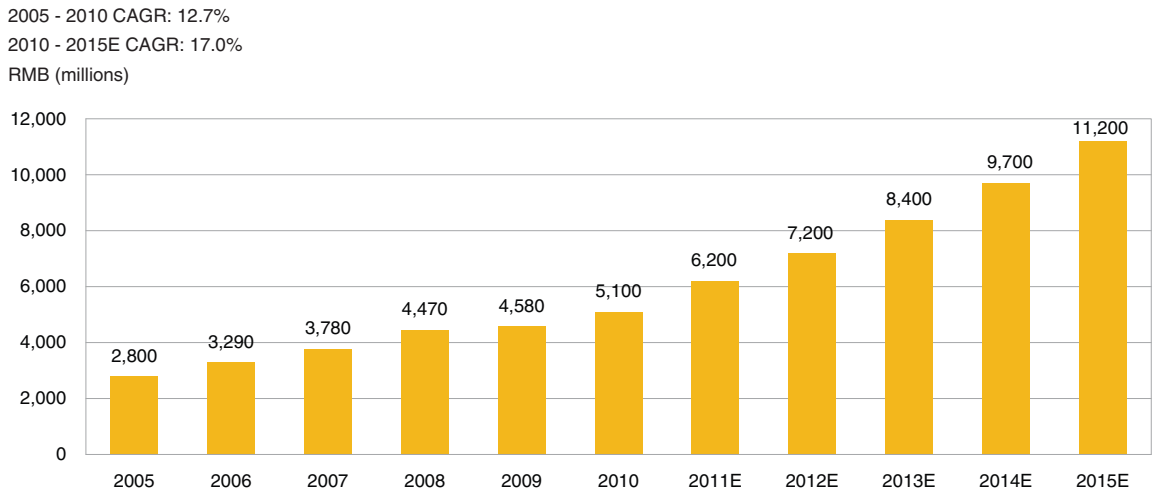
Market outlook and prospects[(1)]

The China hydrogen peroxide market has grown steadily in the past few years. The sales volume of hydrogen peroxide increased from 2.4 million tons in 2005 to 4.3 million tons in 2010, representing a CAGR of 12.4%.

The demand for hydrogen peroxide will likely continue to increase as environmental awareness promotes its substitution over other chlorine-based bleaching agents in the pulp and paper industry. In addition, frequent outbreaks of various pandemics worldwide have generated a demand for hydrogen peroxide for sterilization purposes. Total sales volume of hydrogen peroxide in China are estimated to grow at a CAGR of 12.6% from 2010 to 2015. In terms of revenue, the China hydrogen peroxide market is expected to grow at a CAGR of 17.0% from 2010 to 2015.

(1) All data reflects a 27.5% concentration of hydrogen peroxide.

Historical Market Size and Growth Forecast for the Hydrogen Peroxide (27.5% concentration) Market (China), 2005 – 2015E



Source: Frost & Sullivan Report

Key players and market share analysis

The hydrogen peroxide market in China has approximately 60 active players. In 2010, the top 10 key players in terms of revenue in China accounted for approximately 41% market share, with the remaining 59% composed of various smaller players. The table below sets forth the top 10 industry players in the Chinese hydrogen peroxide market in 2010.

Key 10 Industry Players of the Chinese Hydrogen Peroxide Market, 2010

No	Key Industry Players	Market Share by Revenue (%)
1	Group 1	8.0
2	Group 2	5.9
3	Group 3	4.5
4	Group 4	3.8
5	Group 5	3.5
6	Group 6	3.4
7	Group 7	3.4
8	Group 8	3.2
9	Group 9	2.5
10	The Group(1)	2.4
	Others	59.4
	Total	**100.0**

Source: Frost & Sullivan Report

Notes:

(1) The Group ranked No. 10 and accounted for a market share of 2.3% in terms of sales volume in 2010.

Barriers to entry

The business model of a typical hydrogen peroxide production plant in China is quite similar to that of a sodium chlorate production plant. The barriers to entry listed above are also applicable in the hydrogen peroxide industry.

ADC FOAMING AGENT MARKET

Description of ADC foaming agents

An ADC (Azodicarbonamide) foaming agent is a fine organic chemical product with numerous applications. It can be used as a foaming agent for polyvinyl chloride, polyethylene, polypropylene, polystyrene, ABS (Acrylonitrile Butadiene Styrene) resin, nylon-66, ethylene-vinyl acetate copolymer, chloroprene rubber, nitrile rubber, silicon rubber, natural rubber and others. An ADC foaming agent can also be applied as a calcium-plastic foaming agent in the building materials industry.

A foaming agent is a surfactant which can ease the formation of foam from a small amount of liquid, or enhance its colloidal stability by inhibiting the coalescence of bubbles. An ADC foaming agent is used to create a foaming or cushioning effect and can be likened to the use of yeast in baking to expand dough to create a soft and spongy texture. Common applications for ADC foaming agents include shoe soles and cushioned seats in furniture. There are three main ADC foaming agent production methods using hydrazine hydrate as a raw material: (i) the chloramine method; (ii) the azine method (this method is further divided into three sub-methods of the sub-sodium hypochlorite oxidization method, hydrogen peroxide oxidization method, and air oxidization method based on the oxidizing agents used); and (iii) the urea method.

In China, the urea production method, which uses hydrazine hydrate as a raw material, is generally used for the production of ADC foaming agents. Urea and hydrazine hydrate are the two key ingredients used to produce biurea. The biurea produced will then be mixed with chlorine gas to further produce the ADC foaming agent.

China is the largest producer of ADC foaming agents in the world. However, most local Chinese producers produce basic ADC foaming agent (powder) that generally requires further processing. In contrast, modified and special ADC foaming agents are mainly produced by developed countries such as Japan and South Korea. Modified or special ADC foaming agents are generally an end-use product for specific applications, while a basic ADC foaming agent usually requires further processing before use by end-users.

Market drivers

Increasing demand from the footwear industry, building materials industry and automotive industry

ADC foaming agent is widely used in the footwear industry to produce slippers, soles and insoles. It is also widely applied in building materials such as roofing membrane, door and window sealing strips and floor covering because of its stable and non-flammable characteristics.

The PRC automotive market has experienced continuous growth over the last decade with production of 10,383,831 cars and 3,407,163 commercial vehicles in 2009. In an effort to reduce the fuel consumption

of automobiles, vehicle weight has been lightened with the use of plastic upholstery. The overall automotive plastics market was worth RMB32.61 billion in 2009 in the PRC. Within the overall automotive plastics market, interior plastics accounted for 67.0% of the total market. As an important foaming agent for these plastics, the ADC foaming agent market in the PRC is expected to grow significantly in the near future, and benefit from the growing automotive industry.

Improving technology and product quality

The ADC foaming agent production process in China is simple and utilizes basic equipment. As a result, ADC foaming agent (powder) produced in China is generally of lower quality compared to that of developed countries such as Japan and South Korea. This is due, in part, to China's insufficient technology to control gas evolution, decomposition temperatures, and particle size distribution. In contrast, production facilities in developed countries are more established and have a greater degree of automation, and thus are able to obtain higher production yields.

The advanced technologies used in developed countries include anti-caking, anti-dust and product dispersion technologies. With these advantages, producers are able to produce higher quality ADC foaming agents known as modified ADC or special ADC which can be directly used in specific fields and sold at premium prices. Many developed countries import basic ADC foaming agents from China to further process and re-export to China or other countries, where the demand for the modified ADC foaming agent is greater.

Because of the greater profits associated with value-added production, the China Chlor-Alkali Association and ADC foaming agents committee have encouraged producers to focus more on technology and product development. These efforts have led to some success, as China has become the largest producer of ADC foaming agent in the world.

Increased export demand

Faced with intense competition from foreign producers, Chinese producers are striving to further expand their ADC foaming agent production capacity, conduct research on product mix and further improve the quality of the ADC foaming agents they produce. Chinese producers are also developing new products and broadening the applications of existing products to strengthen their competitiveness in the local Chinese market.

In addition, high production costs and environmental issues in overseas countries over the years have forced some factories to shut down. As a result, the demand for ADC foaming agents in these countries will likely be fulfilled in part by imports from China due to its lower production costs. China has relative strengths with respect to many of the necessary raw materials, equipment, labor costs and expertise. Producers in China import a minimal amount of raw materials or equipment needed to produce ADC foaming agents, as domestic supply is sufficient to support this clustered industry of about 20 producers.

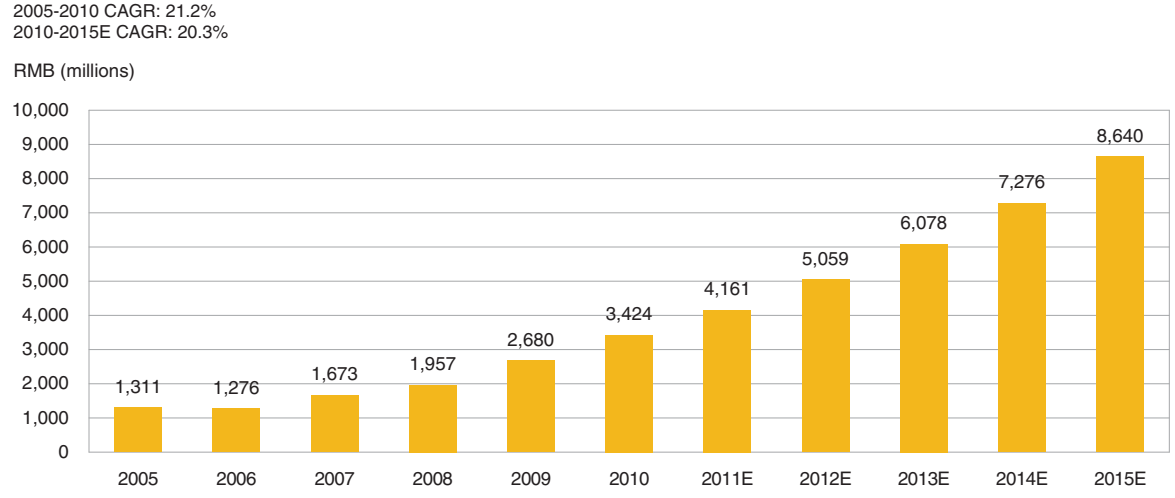
Market outlook and prospects

The total market size of ADC foaming agents in China grew from approximately 98,100 tons in 2005 to 218,600 tons in 2010, representing a CAGR of 17.4%. In terms of revenue, China's ADC foaming agents market grew at a CAGR of approximately 21.2% from 2005 to 2010. It is believed that the preparation for

the 2008 Beijing Olympic games in China stimulated market demand for ADC foaming agents, especially the heat preservation materials used in the construction of the Olympic Stadium. The growing Chinese footwear industry has also contributed to the strong growth of this market as the production of footwear requires a steady supply of ADC foaming agents. According to Frost & Sullivan, China has become the biggest producer of ADC foaming agent in the world in 2010, with the majority of its exports directed to the United States, Europe and Japan.

China's ADC foaming agent market is anticipated to remain stable in the near future due to continuous demand from downstream industries. The market size is estimated to record steady growth at a CAGR of 15.5% and 20.3% from 2010 to 2015 in terms of sales volume and revenue, respectively.

Historical Market Size and Growth Forecast for the ADC Foaming Agent (China), 2005 – 2015E



Source: Frost & Sullivan Report

Key Five Industry Players of the Chinese ADC Foaming Agent Market, 2010

No	Key Industry Players	Market Share by Revenue (%)	Market Share by Volume (%)
1	Group A	19.4	20.3
2	Group B	19.1	18.1
3	The Group	17.1	18.0
4	Group C	13.7	12.9
5	Group D	7.1	6.5
	Others	23.6	24.2
	Total	**100.0**	**100.0**

Source: Frost & Sullivan Report

Barriers to entry

Product innovation and capital investment for environmentally friendly processes are the two key entry barriers for the ADC foaming agent market in China.

Product Innovation

Fine/Super fine ADC foaming agent powder (≤5μm): The majority of ADC foaming agent suppliers provide basic ADC foaming agent powder for further processing. Due to the increasing requirement for fine powdered ADC foaming agent to produce smooth and durable downstream products, innovation of finer forms of ADC foaming agent is becoming increasingly important in response to the competition posed by imports from overseas suppliers.

Additional cost for environmentally friendly processes

The environmental impact of the ADC foaming agent manufacturing industry has raised the attention of both the relevant authorities and the public. Concerns over the high content of COD, BOD, nitrogen and ammonia in discharged wastewater has led to greater monitoring and supervision of ADC foaming agent producers. Suppliers using the urea-based production method need to invest a greater amount of capital into wastewater treatment and acid emission reduction. This investment would increase their capital cost. The installation of pollution reduction facilities in their factories would require skilled operators/technicians to make sure the wastewater meets discharge standards.

REPORT COMMISSIONED FROM FROST & SULLIVAN

We have included certain information from the Frost & Sullivan Report in this prospectus. Frost & Sullivan, an independent global growth consulting firm founded in 1961, was commissioned by us to conduct research and prepare a report on the sodium chlorate, hydrogen peroxide, and ADC foaming agent markets in China. Frost & Sullivan offers industry research and market strategies and provides growth consulting and corporate training. Its industry coverage in China includes chemicals, materials and food, automotive and transportation, commercial aviation, consumer products, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics, industrial and machinery, and technology, media and telecom. Frost & Sullivan currently has more than 40 global offices and more than 2,000 industry consultants. We have agreed to pay a total of RMB1,136,300 in fees for the preparation of the Frost & Sullivan Report, and such consideration was negotiated between the parties on an arm's length basis and our Directors believe that the fees are in line with market rates.

The methodology used by Frost & Sullivan in preparing the Frost & Sullivan Report involved conducting both primary and secondary research obtained from numerous sources within the sodium chlorate, hydrogen peroxide, and ADC foaming agent industry in China. The primary research involved interviews with the leading sodium chlorate, hydrogen peroxide, and ADC foaming agent companies in China, the Chinese Inorganic Salt Industry Association, and the China Chlor-Alkali Industry Association. Supply-side interviews were used as a crosschecking mechanism to verify the accuracy of market share and revenue figures that were not contained in publicly available company reports. Secondary research was conducted through examining PRC government reports, annual reports of public industry participants in China and reports published by the relevant associations. Market size and company revenue forecasts were obtained from historical data analysis plotted against macroeconomic factors and mapped against the drivers and constraints of the Chinese sodium chlorate, hydrogen peroxide, and ADC foaming agent markets to arrive at estimates.