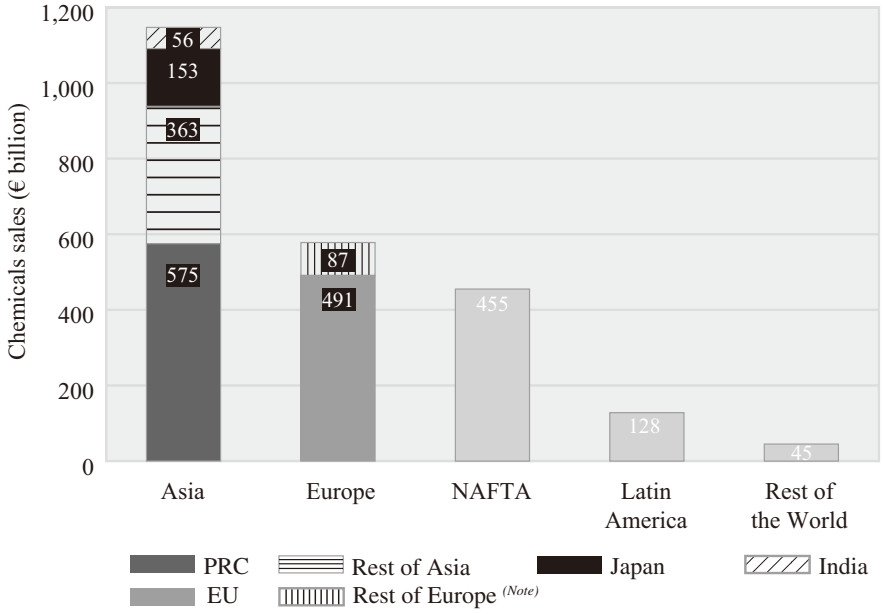
This section contains information and statistics relating to the industry in which we operate. We have derived such information and data partly from publicly available government official sources and partly from Independent Third Parties publications which have not been independently verified by us, the Sponsor, the Joint Lead Managers, the Underwriters or any of their respective affiliates or advisers. None of the information and statistics cited in this prospectus was commissioned by our Company or our connected persons and/or the Sponsor. We believe that the sources of the information and statistics are appropriate sources for such information and statistics and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics is false or misleading or that any fact has been omitted that would render such information and statistics false or misleading. We make no representation as to the correctness or accuracy of such information. We have taken such care as we consider reasonable in the reproduction and extraction of such information.

OVERVIEW OF THE WORLD CHEMICALS INDUSTRY

According to a report issued by European Chemical Industry Council ("**CEFIC**") in September 2011, the world chemicals sales were estimated at approximately €2,353 billion (approximately RMB19,538 billion) in 2010. Asia, with approximately €1,147 billion (approximately RMB9,524 billion) of chemicals sales, or approximately 48.7% of the world chemicals sales, ranked the leading chemicals sales region in the world, followed by EU, and the NAFTA. China has achieved chemical sales of approximately €575 billion (approximately RMB4,774 billion), ranked top among all countries in the world. Asia, EU and the NAFTA together accounted for 92.6% of the world chemicals sales in 2010. The following diagram illustrates the estimated world chemicals sales in 2010:

Geographic breakdown of world chemicals sales in 2010

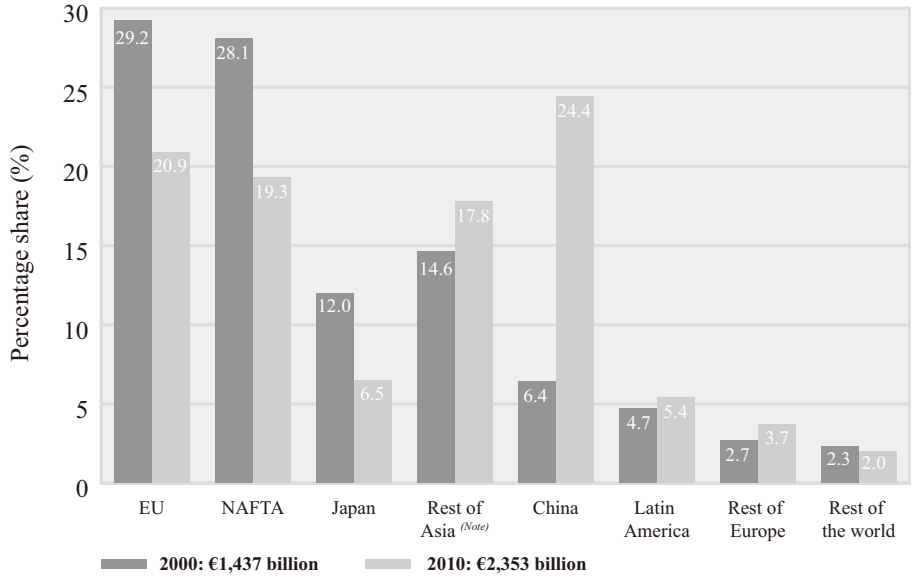


Source: *CEFIC Chemdata International*

Note: *Rest of Europe = Switzerland, Norway and other Central and Eastern Europe (excluding the new EU 12 countries)*

The world chemicals industry has undergone moderate growth in the recent years. According to a report issued by CEFIC in September 2011, world chemicals sales increased from approximately €1,437 billion (approximately RMB11,932 billion) in 2000 to approximately €2,353 billion (approximately RMB19,538 billion) in 2010, representing CAGR of approximately 5.1%. Chemicals production in the PRC is rapidly growing during the same period, with increased contribution to world chemical sales, from approximately 6.4% in 2000 to approximately 24.4% in 2010. The following diagram illustrates the percentage share in the world chemicals sales of selected countries and regions in 2000 and 2010:

Percentage share of world chemicals sales of selected countries and regions



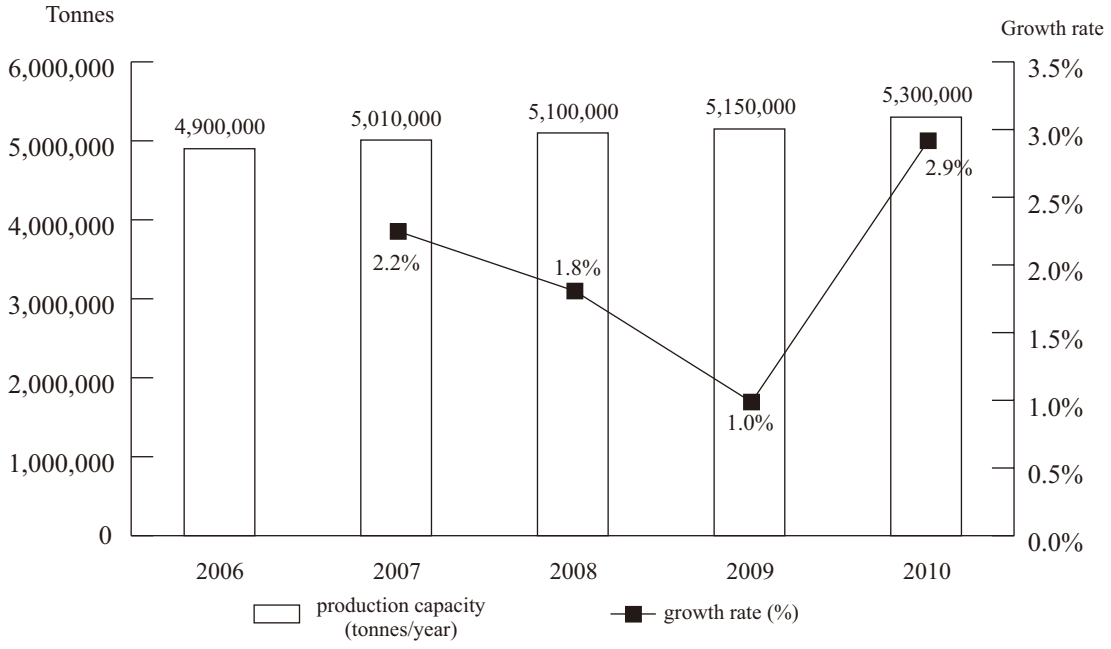
Source: CEFIC Chemdata International

Note: Rest of Asia excluding China and Japan

According to the report issued by CEFIC in September 2011, the world chemical sales exclude sales of chemical products relating to the pharmaceuticals industry. The world chemical sales have been organised under four broad industry sectors, namely (i) fine, speciality and consumer chemicals; (ii) petrochemistry; (iii) halogens; and (iv) plastics. Our Group's products of PA and fumaric acid are generally applied as raw materials in numerous industrial production processes and consumer products relating to plastics. As such, the world chemical sales and the contribution from the chemical industry in the PRC provide an indication of the market outlook in which our Group operates.

According to 中國苯酐體行業發展研究報告 (Report on PA Industry Development in the PRC*) prepared by 千訊(北京)信息諮詢有限公司 (Qianinfo (Beijing) Consulting Co., Ltd.) in 2011, the total world production capacity of PA increased from approximately 4,900,000 tonnes in 2006 to approximately 5,300,000 tonnes in 2010, representing CAGR of approximately 2.0%. The following chart illustrates the world production capacity of PA from 2006 to 2010:

World production capacity of PA from 2006 to 2010



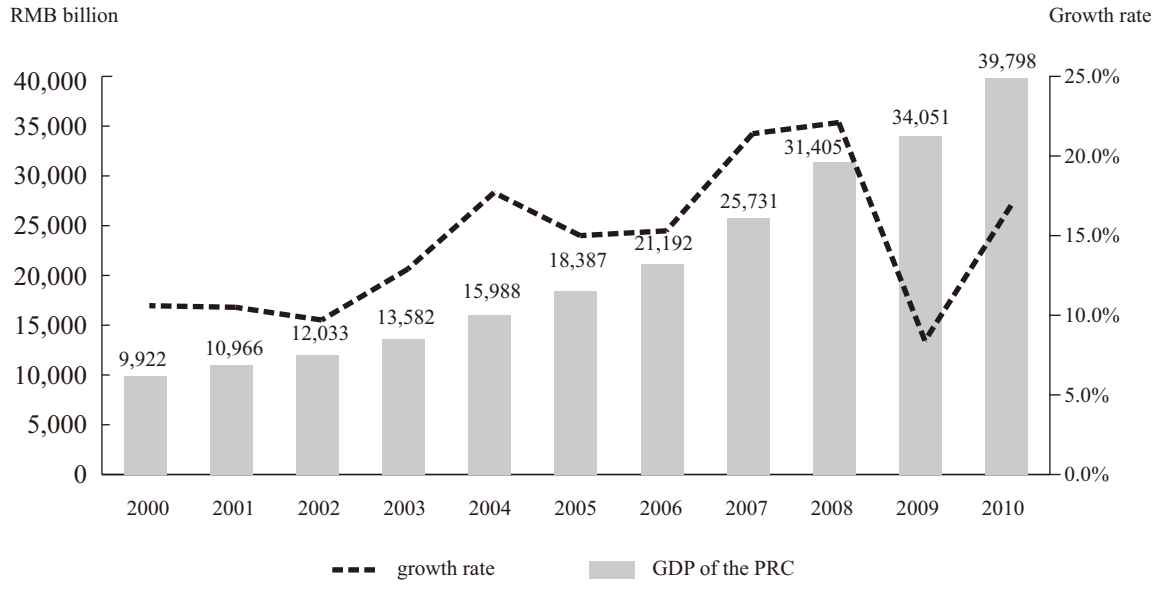
Source: Report on PA Industry Development in the PRC

OVERVIEW OF THE PRC ECONOMY AND THE CHEMICAL INDUSTRY

Development of the PRC economy in recent years

The PRC economy is one of the world's fastest growing economies. According to the National Bureau of Statistics of China, the GDP of the PRC has reached approximately RMB39.8 trillion in 2010, representing an increase of approximately 16.9% as compared with that for 2009 despite the slowdown in global economy due to the global financial crisis. The PRC maintained a CAGR on the GDP of approximately 15.8% during the past 25 years. We believe the economic development of the PRC has laid a foundation for expansion of market for industrial and consumer products which we expect to facilitate the continued development of the PRC's market for PA and fumaric acid. The following diagram illustrates the GDP of the PRC from 2000 to 2010:

GDP of the PRC from 2000 to 2010



Source: National Bureau of Statistics of China

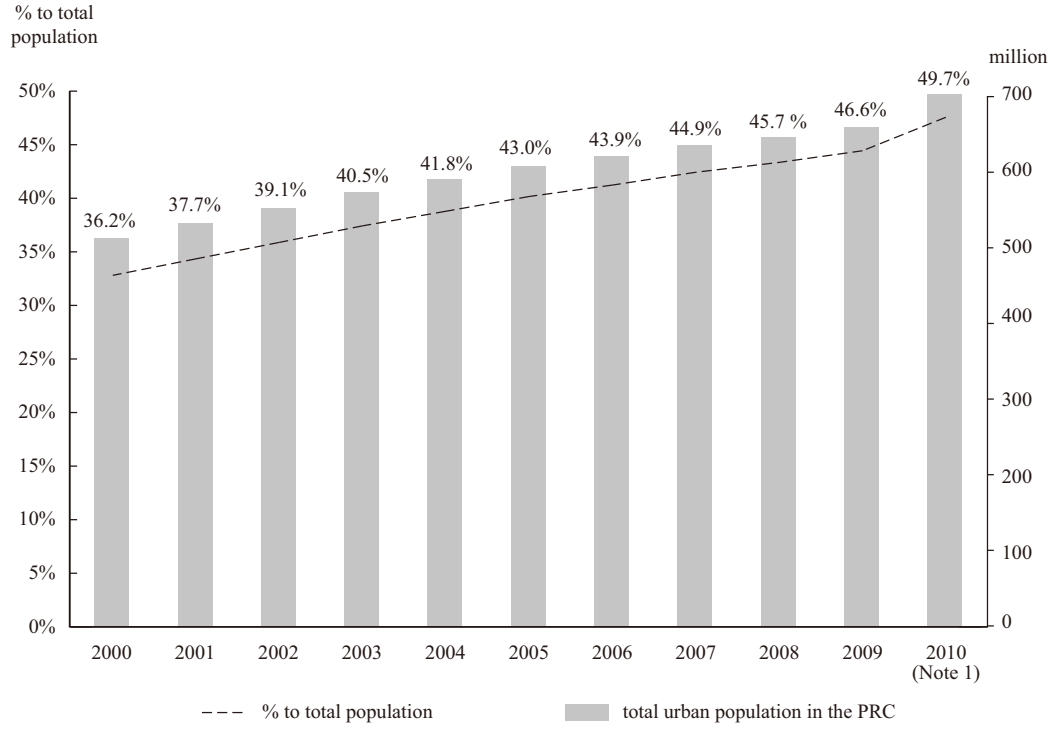
Increase in urban population and disposable income

Urbanisation drives the demand for the construction, industrial and consumable products, food and beverages. Over the past 20 years, the PRC has experienced an increasing expansion in its urban population. According to the National Bureau of Statistics of China, 49.7% of its population or 666 million citizens now lived in the urban areas in 2010, as compared with 26.4% of its population or 302 million citizens in 1990. Over the period from 1990 to 2010, the CAGR of the urban population growth was approximately 3.8%, which is higher than the CAGR of the total population growth of 0.6%.

The purchasing power of the PRC citizen improved significantly in the past 20 years. According to the China Statistical Yearbook 2010 and the National Bureau of Statistics of China, from 1990 to 2010, per capita household disposable income of urban residents in the PRC grew at a CAGR of 13.5% from RMB1,510 in 1990 to RMB19,109 in 2010.

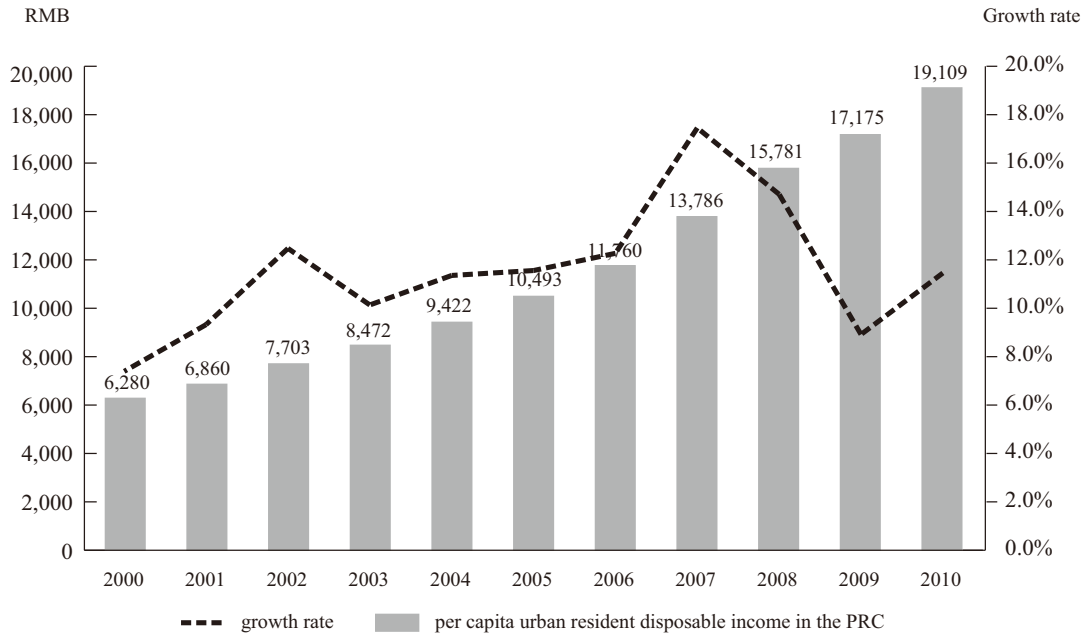
The following charts illustrate the urbanisation rate, the total urban population and the per capita urban resident disposable income in the PRC from 2000 to 2010:

Urbanisation rate in the PRC from 2000 to 2010



Source: National Bureau of Statistics of China

Per capita urban resident disposable income in the PRC from 2000 to 2010

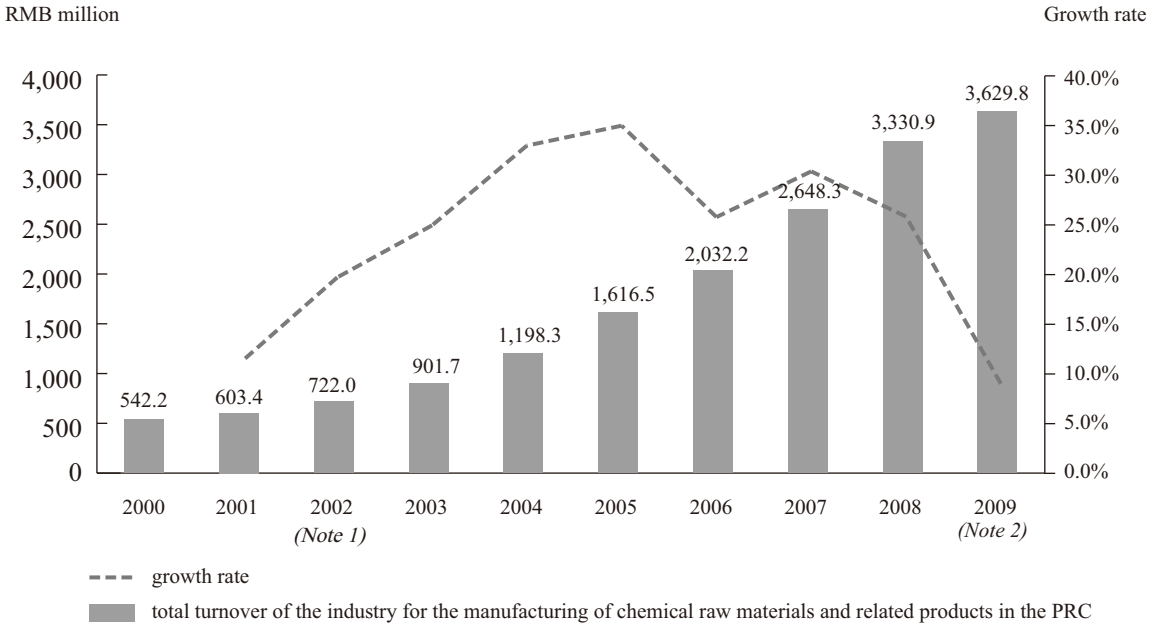


Source: China Statistical Yearbook 2010 and National Bureau of Statistics of China

Development of the chemical industry in the PRC

The chemical industry had grown rapidly in recent years. According to the China Statistical Yearbook in the respective years, the total turnover in the industry for the manufacturing of chemical raw materials and related products grew from approximately RMB542 million in 2000 to approximately RMB3,630 million in 2009, with a CAGR of approximately 23.5%. The rapid sales growth and the demand of the overall chemical industry drive the expansion of the chemical industry in the upstream market. The following diagram illustrates the total turnover of the industry for the manufacturing of chemical raw materials and related products in the PRC from 2000 to 2009:

Total turnover of the industry for the manufacturing of chemical raw materials and related products in the PRC from 2000 to 2009



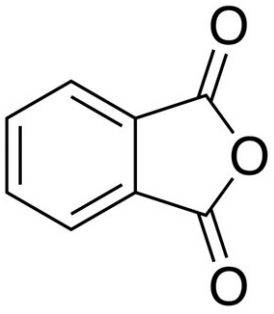
Source: *China Statistical Yearbook*

Note 1: The figure represents the gross output value of the industry as the corresponding total turnover of the industry in 2002 is not available.

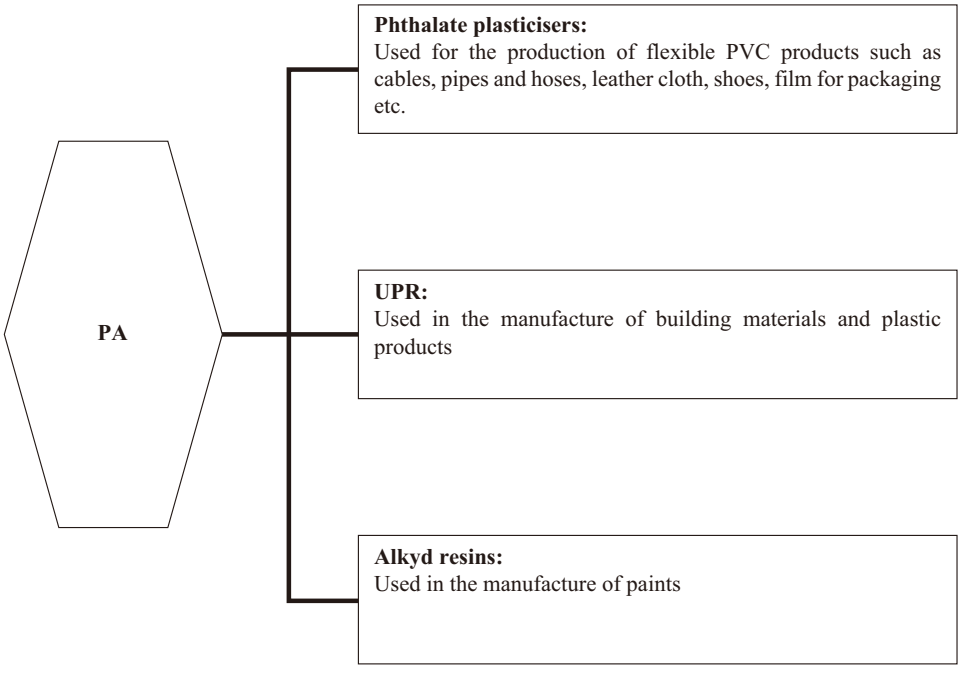
Note 2: The total turnover figure in 2010 is not available in the latest published China Statistical Yearbook.

THE PA MARKET IN THE PRC

PA, the chemical compound with CAS number of 85-44-9, is the product of our Group. It is a white solid at room temperature. The following diagram represents the skeletal formula of PA:



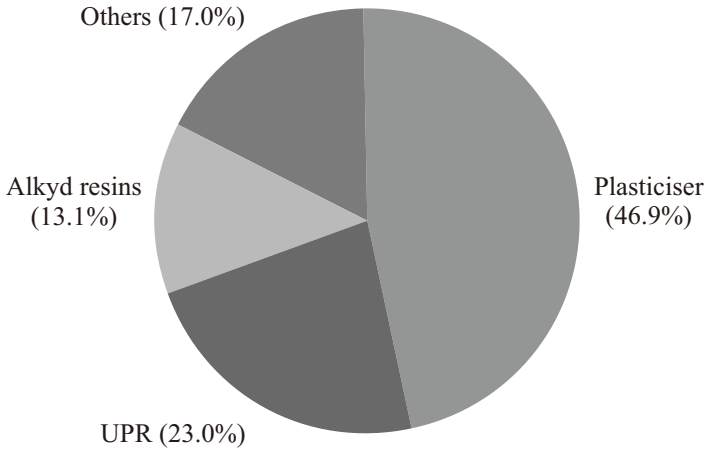
According to 中國化工報 (China Chemical Industry News*), our Group's major product, PA is one of the top ten fundamental chemical raw materials, and is used in numerous industrial production processes. PA is mainly used in the production of three important industrial materials namely (i) phthalate plasticisers; (ii) UPR; and (iii) alkyd resins. These materials can be used in the production process of other industrial production, construction process and consumer products. The below diagram represents a simple illustration on the major applications of PA:



PA consumption by application in the PRC

According to the Association of Unsaturated Polyester Resins Industry of the PRC, the production of plasticiser accounted for approximately 46.9% of the total usage of PA in the PRC in 2008, followed by UPR and alkyd resins, which constituted 23.0% and 13.1% of the total usage of PA respectively. The usage of PA as the raw material for the production of other materials may result in a higher production volume than the original input of PA with the addition of other raw materials. The following chart illustrates the PA consumption by application in the PRC in 2008:

PA consumption by application in the PRC in 2008



Source: The Association of Unsaturated Polyester Resins Industry of the PRC

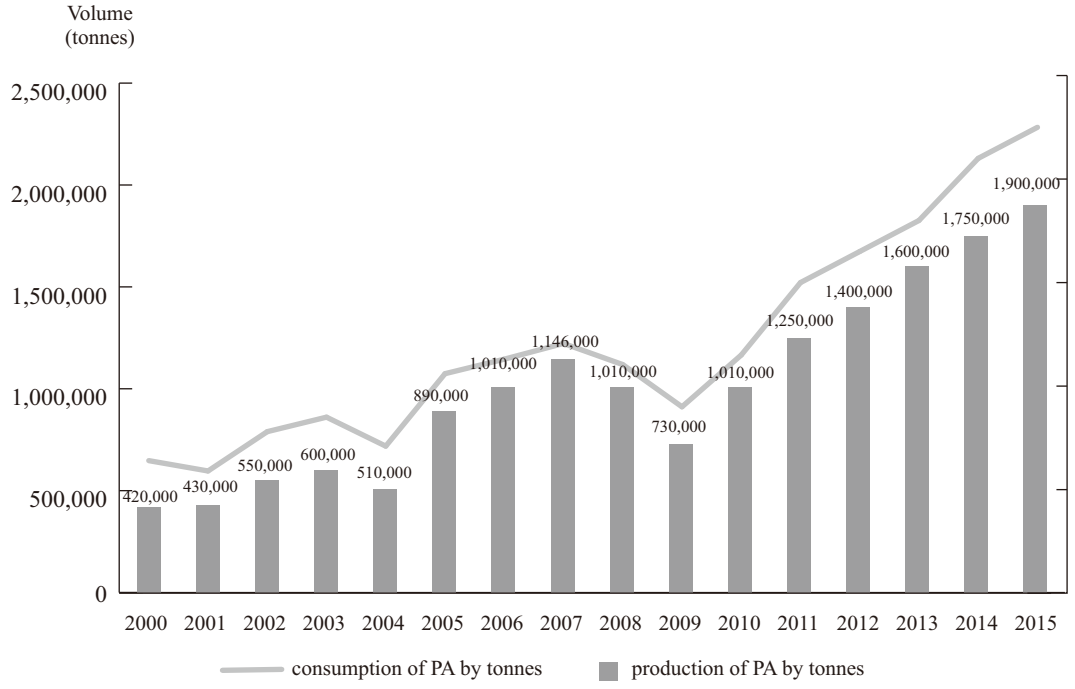
PA consumption and supply in the PRC

According to the Report on PA Industry Development in the PRC, the total consumption volume of PA in the PRC reached 1,150,000 tonnes in 2010, representing an increase of approximately 27.8% from 900,000 tonnes in 2009. While the total production of PA in the PRC reached 1,010,000 tonnes in 2010, representing an increase of approximately 38.4% from 730,000 tonnes in 2009. Our Directors consider that the increase in consumption and production of PA in 2010 is mainly due to the resurgence of global economy from the financial crisis because most of our target customers are manufacturers of downstream products of PA such as polyester resins, alkyd resins and plasticisers which are widely used in the manufacture of, amongst others, consumer products in the PRC. With the recovery of global economy at that time, the worldwide demand for consumer products made in the PRC has increased and thus, an increased demand for the raw materials (i.e. PA) for manufacturing the intermediaries materials for end consumer products. It is noted that there existed significant shortage of supply of PA in the PRC in recent years and the shortage was satisfied by net import from the overseas market, which averaged approximately 165,000 tonnes over the period from 2000 to 2008.

According to the Association of Unsaturated Polyester Resins Industry of the PRC, the CAGR of the production and consumption volume of PA from 2000 to 2010 were approximately 9.2% and 6.0% respectively. Based on the aforesaid CAGR of the production and consumption volume of PA, our Directors considered that the trend of the production and consumption volume of PA is generally in line with the growth trend of the world and PRC chemical industries, which recorded a CAGR of approximately 5.1% and 23.5% in respect of the world chemical sales from 2000 to 2010 and total turnover of the industry for the manufacturing of chemical raw materials and related products in the PRC from 2000 to 2009 respectively.

The following chart illustrates the production and consumption of PA in the PRC from 2000 to 2010, and forecast production and consumption volume of PA in the PRC from 2011 to 2015:

Production and consumption of PA in the PRC from 2000 to 2015



Source: The Association of Unsaturated Polyester Resins Industry of the PRC and Report on PA Industry Development in the PRC

Pricing of PA products and raw materials

The selling price of PA in the PRC is typically determined through competitive bidding process with market price of the product widely available to the public. Its pricing is dependent upon, among others, price of crude oil, production costs of PA and supply and price of its raw materials. Given that the price of its raw materials generally constitutes the majority of cost of production of PA, fluctuation in price of raw materials can have a significant effect on the pricing of PA.

The principal raw material for the production of PA is OX. Since OX is mainly a by-product of crude oil, the price of the raw materials of our Group is sensitive to the fluctuation of the international crude oil price. Prices for OX had been significantly influenced by the changes in the crude oil prices in recent years. For further details, please refer to the paragraph headed "Raw materials, utilities and suppliers" in the section headed "Business" in this prospectus.

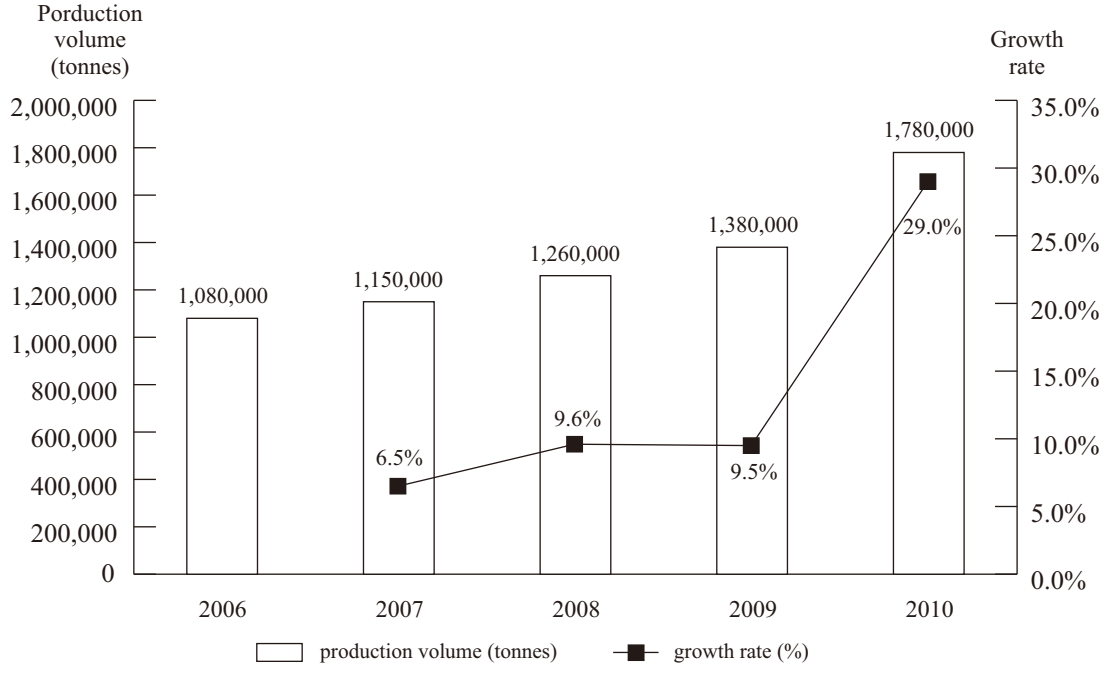
Usage of PA as plasticisers

According to the Association of Unsaturated Polyester Resins Industry of the PRC, the major use of PA is for the manufacture of plasticisers. A plasticiser is a substance, when added to a material, being plastic usually, can make the latter flexible, resilient and easier to handle. Common life examples of plasticisers include adding water to soften clay and applying oils to plasticise pitch for waterproofing ancient boats. Today, modern plasticisers are man-made organic chemicals, the majority of which are esters, such as adipates and phthalates.

According to the Report on PA Industry Development in the PRC, the total production volume of plasticisers in the PRC reached 1,780,000 tonnes in 2010, representing an increase of approximately 29.0% from approximately 1,380,000 tonnes in 2009. The CAGR of the production volume of plasticisers from 2006 to 2010 were approximately 13.3%.

The following chart illustrates the production volume of plasticisers in the PRC from 2006 to 2010:

Production volume of plasticisers in the PRC from 2006 to 2010



Source: Report on PA Industry Development in the PRC

Importantly, they are not just additives (like pigments or fillers). They are major components that determine the physical properties of polymer products. They are colourless, odourless liquids produced by a simple chemical reaction. There are more than 300 different types of plasticisers of which around 50 to 100 are in commercial use. The most commonly used plasticisers are phthalates.

Phthalates are predominantly used in the plastics industry to soften the relatively prevalent kind of plastic, PVC, which application can be seen in a diverse range of cost effective products with various levels of technical performance that we use everyday. Such applications include lifesaving medical devices such as medical tubing and blood bags, footwear, electrical cables, packaging, stationery and toys etc. In addition, phthalates are used in other non-PVC applications such as paints, rubber products, adhesives and cosmetics.

PVC is the most widely used polymer in building and construction applications and over 50% of Western Europe's annual PVC production is used in this sector. A considerable amount of flexible PVC is plasticised with phthalates. There are two main applications for plasticised PVC in building and construction, which are (i) cladding and roof membranes; and (ii) cables, flooring and wallcovering.

Cladding and roof membranes

PVC is chosen for cladding (facing for buildings) and roofing due to its durability, high thermal insulation and excellent weathering performance with good resistance to ultra violet light and ozone.

Cables, flooring and wallcovering

Plasticised PVC is widely applied as electrical insulation material nowadays for the protection of wires and insulation for cables used in building and construction projects. It is also the preferred insulation for transmission cables and fibre optics. In addition, flooring manufacturers combine phthalates plasticisers with PVC powder to produce a soft and flexible finished product, which makes comfortable, safe and stylish floors for buildings worldwide. Approximately 25% of all plasticised PVC is used by the wire, cable and electrical industries due to its durability, cost-effectiveness, flexibility and versatility nature.

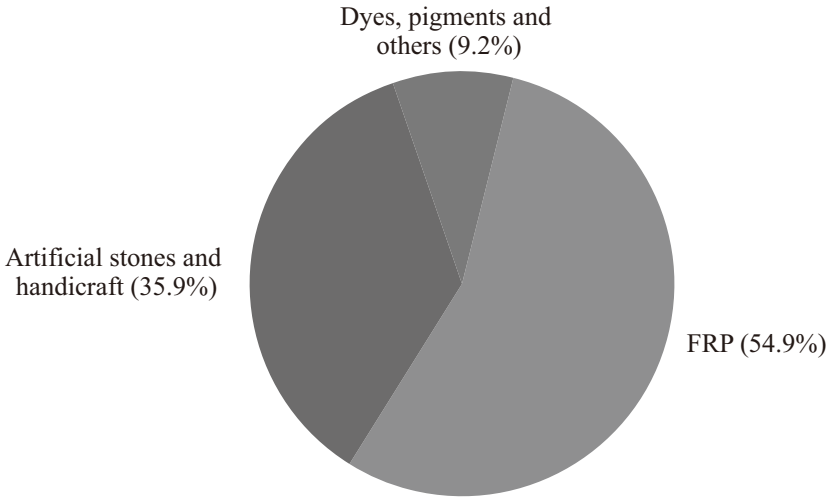
Besides, plasticised PVC provides flexibility and strength which both are the basic and indispensable requirements for the medical devices. Soft PVC can easily be sterilised, thus cutting down infections which could otherwise complicate or undermine treatment. Its transparency reduces potentially life-threatening mistakes with medicines. Labels can be printed directly onto PVC and cannot be worn off, thus enhancing safety issues. Plasticised PVC is also used in PVC catheters, and bloodbags.

According to an article from China Chemical Industry News in 2008, the market for plasticiser in the PRC was the largest in terms of both production and consumption volume in Asia in 2007, with the production and the consumption volume in the PRC reached 1,200,000 and 1,600,000 tonnes respectively. However, the market for plasticiser in the PRC was relatively small in production capacity as compared with peers in other developed countries. Our Directors, to the best of our knowledge and understanding and considering the growth in the production in chemicals in the Asia Pacific region and turnover for the manufacturing of chemical raw material in the PRC as indicated above, believe that the market for plasticiser in the PRC will continue to experience growth and development in the future due to the surge for, in particular, domestic demand for consumer products made by polyester resins, alkyd resins and plasticiers, all of which require PA as raw materials.

Usage of PA as UPR

UPR are durable, resinous polymers. According to the Association of Unsaturated Polyester Resins Industry of the PRC, the main application of UPR was for the production of fibre-glass reinforced plastic (the "**FRP**"), which accounted for approximately 54.9% of the total consumption of UPR in the PRC in 2010. The following chart illustrates the UPR consumption by application in the PRC in 2010:

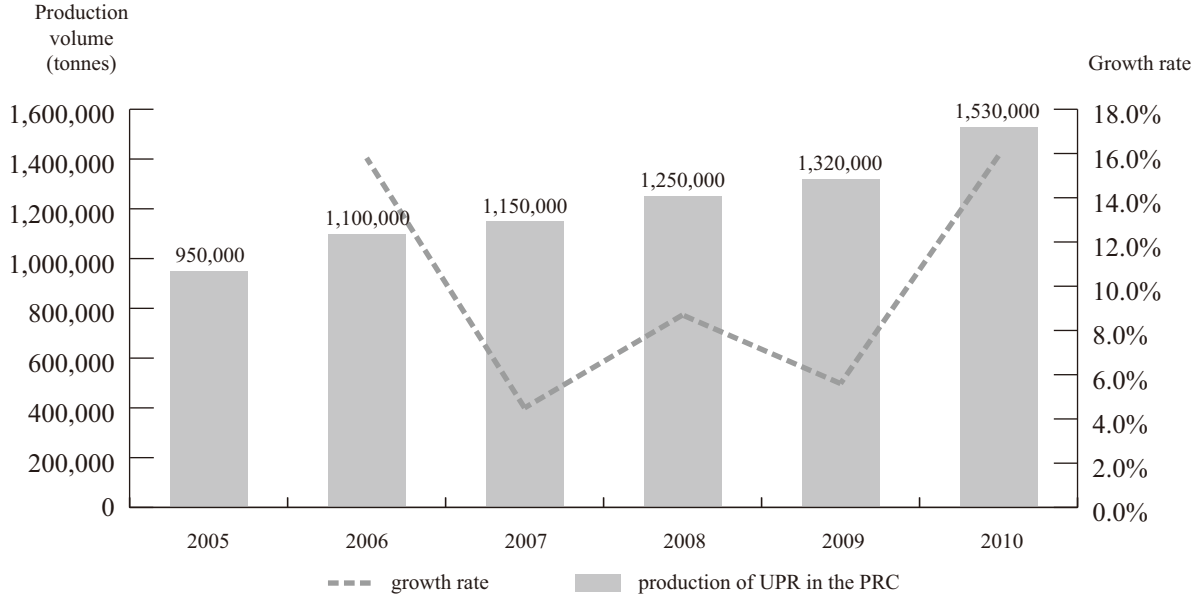
UPR consumption by application in the PRC in 2010



Source: The Association of Unsaturated Polyester Resins Industry of the PRC

UPR can be used in the production of various automotive parts, high-speed trains, wind farm turmoil, chemical container, pipes, boats and many others products due to the light but durable features. Driven by the demand of UPR from the automotive, transportation, construction and new energy industries in the PRC, production of UPR has achieved a CAGR of approximately 10.0% from 2005 to 2010. The following chart illustrates the production of UPR in the PRC from 2005 to 2010:

Production of UPR in the PRC from 2005 to 2010



Source: The Association of Unsaturated Polyester Resins Industry of the PRC

Structure of the PRC's PA industry

According to the Report on PA Industry Development in the PRC, the PA industry in the PRC is fragmented. There are over 30 PA producers in the PRC. The top eight PA producers together contributed approximately 37.4% of the production capacity of the PA industry in the PRC in 2010. The ranking of major suppliers in the PRC in terms of production capacity is as follows:

	Name of company	Production capacity (tonnes / year)	Percentage of total production capacity
1)	山東宏信化工股份有限公司 Shandong Hongxin Chemical Holding Co., Ltd.	180,000	7.8%
2)	鎮江聯成化工公司 Zhenjiang UPC Chemical Co., Ltd.	120,000	5.2%
3)	中國石油化工股份有限公司金陵分公司 Sinopec Corp. (Jinling Branch)	120,000	5.2%
4)	河南慶安化工高科技股份有限公司 Henan Qing'an Chemical Hi-tech Co., Ltd.	120,000	5.2%
5)	德國巴斯夫南京分公司 Germany's BASF (Nanjing Branch)	100,000	4.3%

Source: Report on PA industry development in the PRC

The ranking of major province of the PRC in terms of production capacity is as follows:

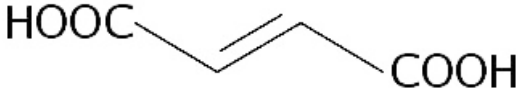
	Province	Percentage of total production capacity
1)	Shandong Province	21.6%
2)	Guangdong Province	19.8%
3)	Jiangsu Province	18.9%

Source: Report on PA Industry Development in the PRC

According to the Report on PA Industry Development in the PRC, the total production volume of PA in the PRC in 2010 was approximately 1,010,000 tonnes. Based on the above data and the actual production volume of PA of our Group of approximately 19,800 tonnes during the year ended 31 March 2011, our Group has accounted for approximately 2.0% of the total market share of PA in the PRC.

FUMARIC ACID INDUSTRY IN THE PRC

Fumaric acid has CAS number of 110-17-8. It is a white solid at room temperature with a melting point of 287°C. The following diagram represents the skeletal formula of fumaric acid:



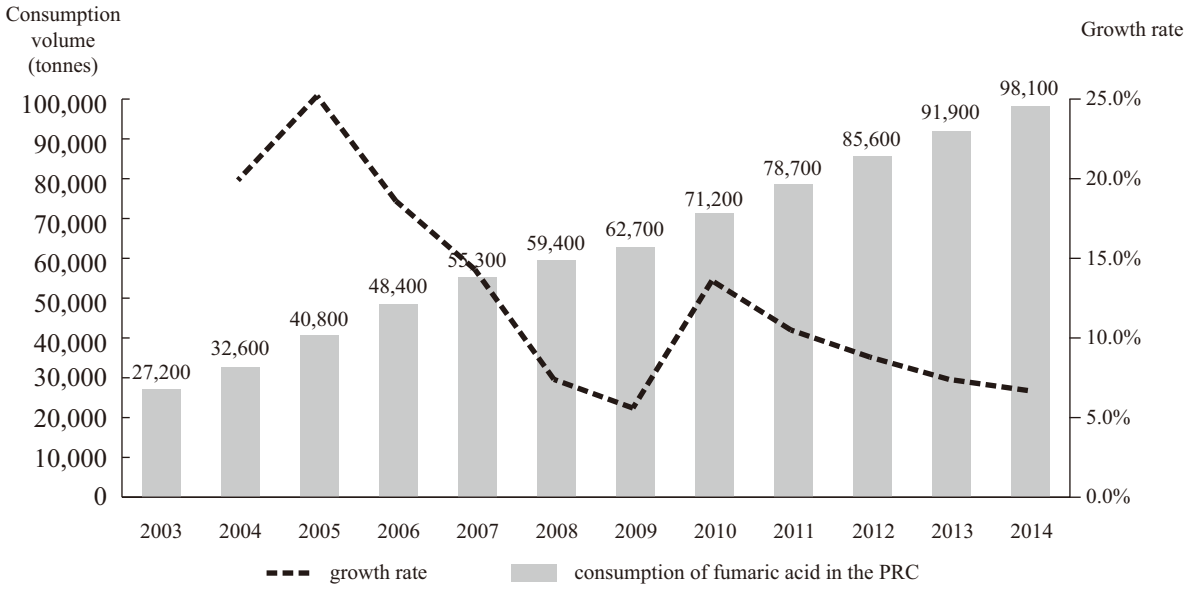
Fumaric acid is generally used (i) in beverages and baking powders for which requirements are placed on purity; (ii) in the manufacture of polyester resins and polyhydric alcohols; (iii) as a mordant for dyes; and (iv) as acidity regulator, acidifier and spice. Fumaric acid is also widely used in production of various carbonic acid drink, wine, concentrated solid drink, ice cream and other cold foods and drink. Despite the wide application of PA and fumaric acid in the downstream production process which we have not engaged in, our customers are aware that all of our Group's products are for industrial use only as we have affixed clear warning sign onto the outer packing of our final products stating the same and stressed that these are dangerous chemicals to be handled with caution. During the Track Record Period and up to the Latest Practicable Date, to the best of our Directors' knowledge and belief, none of our customers have engaged in the production of food and beverage products using the PA and fumaric acid we supplied them with and thus the DEHP incident in Taiwan had no effect on the contribution of fumaric acid to our Group's results.

Fumaric acid consumption in the PRC

According to 中國富馬酸產品市場格局及投資分析報告 (the Report on Market Pattern of Fumaric Acid Products in the PRC and Investment Analysis*) published by 北京中經縱橫經濟研究院 (Beijing Zhongjing Zongheng Economic Research Institution*) in 2011, the fumaric acid industry in the PRC has reached the growth stage in the production life cycle. The market of fumaric acid maintained a continuous and rapid growth since 2000. The total production and consumption volume of fumaric acid in the PRC has increased and reached approximately 70,100 and 62,700 tonnes in 2009 from approximately 35,200 and 27,200 tonnes in 2003, representing a CAGR of approximately 18.6% and 14.9% respectively. Based on the aforesaid CAGR of the production and consumption volume of fumaric acid of approximately 18.6% and 14.9% respectively from 2003 to 2009, our Directors considered that the trend of the production and consumption volume of fumaric acid is generally in line with the growth trend of the world and the PRC chemical industries, which recorded a CAGR of approximately 5.1% and 23.5% in respect of the world chemical sales from 2000 to 2010 and total turnover of the industry for the manufacturing of chemical raw materials and related products in the PRC from 2000 to 2009 respectively.

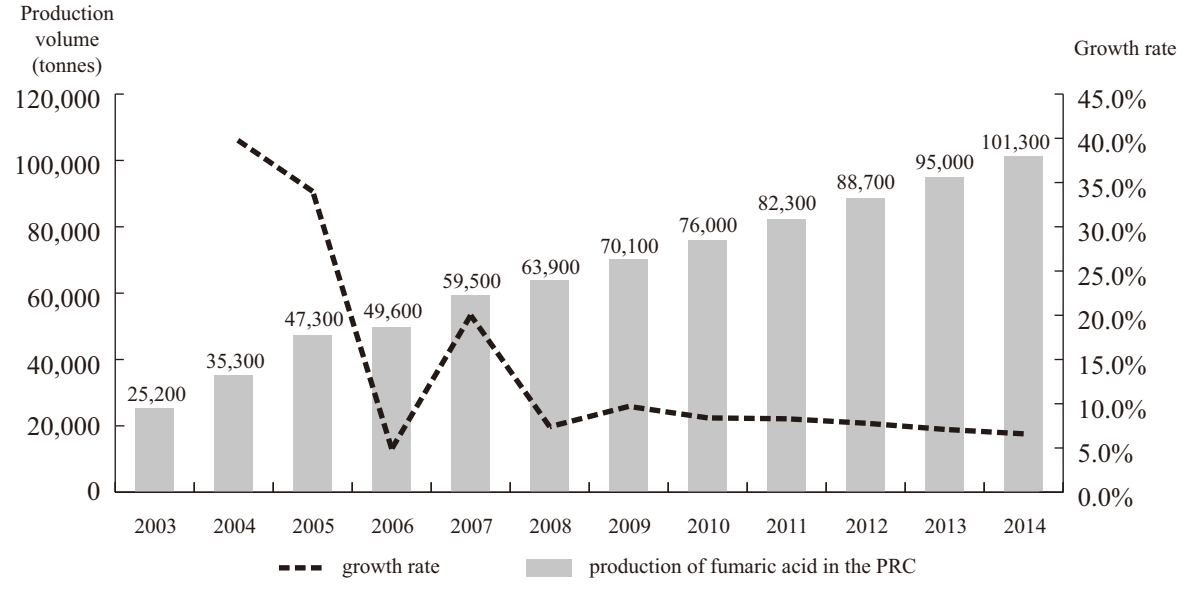
The fumaric acid industry in the PRC is expected to expand and reach an annual production and consumption volume of approximately 101,300 and 98,100 tonnes in 2014 respectively. The following charts illustrates the production and consumption volume of fumaric acid in the PRC from 2003 to 2009 and the forecast production and consumption volume of fumaric acid in the PRC from 2010 to 2014:

Consumption volume of fumaric acid in the PRC from 2003 to 2014



Source: Report on Market Pattern of Fumaric Acid Products in the PRC and Investment Analysis

Production volume of fumaric acid in the PRC from 2003 to 2014



Source: Report on Market Pattern of Fumaric Acid Products in the PRC and Investment Analysis

Structure of the PRC's fumaric acid industry

According to the Report on Market Pattern of Fumaric Acid Products in the PRC and Investment Analysis, the fumaric acid industry in the PRC is concentrated. The top ten fumaric acid producers together contributed a total of 87.9% share of the fumaric acid industry in the PRC in 2009. According to the Report on Market Pattern of Fumaric Acid Products in the PRC and Investment Analysis, the major producers of fumaric acid in the PRC are 常州亞邦化學有限公司 (Changzhou Yabang Chemical Co., Ltd.*), 河南慶安化工高科技股份有限公司 (Henan Qing'an Chemistry & Hi Tech Co., Ltd.*), 天津市渤海精細化工有限公司 (Tianjin Bohai Fine Chemical Co., Ltd.*), 太原市僑友化工有限公司 (Taiyuan Qiaoyou Chemical Co., Ltd.*) and 江蘇鐘騰化工有限公司 (Jiangsu Zhongteng Chemical Co., Ltd.*), whereas the market shares of the individual major suppliers of fumaric acid are not available. The ranking of geographical region in the PRC, in terms of the production and consumption volume of fumaric acid is as follows:

Ranking of major provinces/cities in the PRC in terms of production volume of fumaric acid in 2009:

	Province/City	Market share
1)	Jiangsu Province	39.82%
2)	Henan Province	16.58%
3)	Tianjin Municipality	16.23%
4)	Shanxi Province	8.76%
5)	Heilongjiang Province	7.57%

Ranking of major provinces/cities in the PRC in terms of consumption volume of fumaric acid:

	Province/City	Market share
1)	Jiangsu Province	20.11%
2)	Guangdong province	16.56%
3)	Zhejiang Province	10.16%
4)	Fujian Province	5.27%
5)	Shanghai Municipality	3.25%

Source: Report on Market Pattern of Fumaric Acid Products in the PRC and Investment Analysis

According to 中國富馬酸產品市場格局及投資分析報告 (the Report on Market Pattern of Fumaric Acid Products in the PRC and Investment Analysis*), the total production volume of fumaric acid in the PRC in 2009 was approximately 70,100 tonnes. Based on the above data and the actual production volume of fumaric acid of our Group of approximately 2,829 tonnes during the year ended 31 March 2010, our Group has accounted for approximately 4.0% of the total market share of fumaric acid in the PRC.

Market price of our products

Our products are derived from OX and therefore both the market prices of PA and fumaric acid have a high correlation with that of OX. The following chart shows our Group's price trends of the sale of PA and fumaric acid and purchase of OX from January 2007 to October 2011:

Source: Our Company

Since OX is derived from crude oil, the purchase price of which is sensitive to the fluctuation of the international crude oil price. The following chart shows the price trend of our Group's purchase of OX and crude oil from January 2007 to October 2011:

Sources: Bloomberg and our Company

As illustrated in the chart above, our Group's purchase price of OX was fluctuating narrowly from 2007 to the second half of 2008 between RMB8,000 and RMB12,000 per tonnes and substantially decreased in the second half of 2008 following the global economic downturn. The purchase price of OX picked up again in 2009 and increased steadily in 2010 and 2011. Such fluctuation was generally in line with the fluctuation of price of crude oil during the Track Record Period.

INFORMATION RELATING TO QIANINFO (BEIJING) CONSULTING CO., LTD. AND BEIJING ZHONGJING ZONGHENG ECONOMIC RESEARCH INSTITUTION

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