

## Our Products

### Crude Salt and Bromine

Our production of crude salt and bromine comes from the processing of natural brine water, a concentrated underground salt water. There has been a very long tradition in China for individuals and companies to produce crude salt from the brine water through evaporation. However, the brine water contains many unprocessed ionic compositions besides dissolved sodium chloride. Today, to make the best use of brine water resources with an emphasis on sustainable economy, the Chinese government has urged companies to comprehensively utilize natural brine water resources by producing both bromine and crude salt.

Crude salt is a widely used basic material for producing caustic soda and soda ash, which in turn have been the basic chemical products widely used in glass products, the metallurgical industry, textile industry and oil industry. In China, crude salt is also used to produce edible table salt as a condiment.

The natural resources for bromine mainly exist in the sea, in underground brine water, in salt rock from ancient marine sediments and in salt lakes. Because of the vast amount of seawater, bromic contents in the ocean constitute 99% of the overall bromine reserves on the earth. The bromic concentration of seawater is approximately 65 micrograms per liter, whereas it is only about 0.10 microgram per liter in salt rock. In some areas, such as the Shandong Province brine fields surrounding the Laizhou Bay, the underground brine water content is approximately 300- 360 micrograms per liter.

Bromine is a halogen element and a red volatile liquid at standard room temperature. Its reactivity is between those of chlorine and iodine. Elemental bromine is used to manufacture a wide variety of bromine compounds used in a variety of industries such as the chemical, flame retardant, agriculture pesticide, dyeing, oilfield and medicine industries. Bromine is also used to form intermediates in organic synthesis, in which it is preferred over iodine due to its lower cost. Our bromine is commonly used in producing brominated flame retardants, fumigants, water purification compounds, dyes, medicines and disinfectants. According to statistics published by the China Crude Salt Association, we are one of the largest producers of crude salt and bromine in China, as measured by annual capacity and output.

The table below shows the average selling price and production cost for our bromine and crude salt products:

In USD	Year Ended June 30, 2009	Year Ended June 30, 2010	Six Months Ended December 31, 2009	Six Months Ended December 31, 2010
<b>Bromine</b>				
- average selling price	1,791	2,196	1,796	3,168
- average production cost	1,399	1,342	1,335	1,577
<b>Crude Salt</b>				
- average selling price	33	24	25	36
- average production cost	20	18	15	19

### Processing of Bromine and Crude Salt

The underground brine water we utilize is a complicated salt- water combination. The brine water contains a variety of ionic compositions in which different ions have close interdependent relationships. Ions in the brine water can be reunited to form dissolved soluble salts such as sodium chloride, potassium chloride, calcium sulfate, potassium sulfate and other similar soluble salts. Through the brine water processing process, we are able to separate and precipitate the soluble salts away from the water.

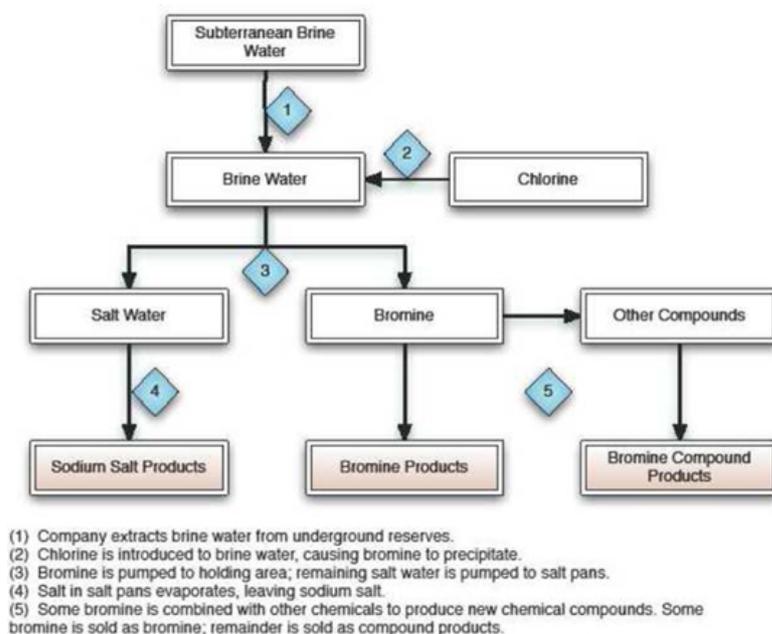
Bromine is the first component we extract when processing the natural underground brine water. The bromine exists in the form of bromine sodium and potassium bromide and other soluble salts.

The bromine extraction and crude salt production process is as follows:

- Brine water is pumped from underground through extraction wells by subaqueous pumps.
- The brine water then passes through transmission pipelines to storage reservoirs.
- The brine water then moves to a bromine refining plant. Through the addition of chlorine, we are able oxidize the bromide ion and extract the bromine from the brine water.
- The bromine is then blown out using compressed air and absorbed by sulfur dioxide or soda.
- After bromine extraction, the remaining brine water is pumped to our brine pans where it is left to evaporate, resulting in crude salt.

The raw materials needed for this process include brine water, vitriol, chlorine, sulfur and coal. We also currently consume a portion of our bromine in order to produce brominated specialty chemicals.

The following graphic representation further illustrates the bromine extraction and crude salt production process:



### Brominated Specialty Chemicals

Our brominated specialty chemicals include decabromodiphenyl ether, decabromodiphenyl ethane and hydrobromic acid. Decabromodiphenyl ether and decabromodiphenyl ethane can serve as flame retardants due to their excellent thermal stability and low toxicity, and thus have been widely accepted by the market and are undergoing a rapid growth stage in China. These same characteristics also allow them to be widely used in a variety of other areas including polymer composite materials, plastic, fiber and building materials. In China the brominated flame retardant is the most widely used flame retardant due to its excellent capability and relatively lower price. Hydrobromic acid is a byproduct resulting from the production of decabromodiphenyl ether and decabromodiphenyl ethane. It is used to produce other bromine compounds and itself is used in the medical, dye and perfume industries. We anticipate that the Chinese government will in the future tighten the implementation of rules enacted in the compulsory application of flame retardants on construction materials to lessen damages from fire disasters.

We use our self-developed processing technology to manufacture and sell brominated specialty chemicals. We also invest in bromine production facilities and assemble high-caliber bromine reservoirs, agitated reactors, buffer tankers and pipes into a reaction system to optimize output and improve product quality, while maintaining production safety with our self-developed processing technologies. The self-developed technologies mainly include the processing method of highly thermal-stable decabromodiphenyl ethane and a processing method of high-purity decabromodiphenyl ether.

The table below shows the average selling price and production cost for our brominated specialty chemicals:

In USD	Year Ended June 30, 2009	Year Ended June 30, 2010	Six Months Ended December 31, 2009	Six Months Ended December 31, 2010
<b>Decabromodiphenyl ether</b>				
- average selling price	2,287	2,786	2,428	4,299
- average production cost	1,889	2,132	1,935	2,353
<b>Decabromodiphenyl ethane</b>				
- average selling price	3,013	3,373	3,160	4,672
- average production cost	1,952	1,987	1,968	2,353
<b>Hydrobromic acid</b>				
- average selling price	757	928	778	1,315
- average production cost	740	842	742	1,009