You should carefully consider all of the information set out in this document, including the risks and uncertainties described below. You should pay particular attention to the fact that the Company is incorporated in Singapore and that most of the Group's operations are conducted in China and are governed by a legal and regulatory environment that in some respects differs from those that prevail in other countries. The Group's business, financial condition or results of operations could be affected materially and adversely by any of these risks. Additional risks and uncertainties not presently known to the Group or that the Group currently deems immaterial could also harm the business, financial condition or results of operations of the Group.

RISKS RELATING TO THE GROUP'S BUSINESS

Our business and operations may be adversely affected by the current global economic crisis.

The current global economic crisis is materially and adversely affecting the economy in the U.S. and many other parts of the world including those in which we conduct operations. As a result of such economic crisis, the demand for the fertiliser products decreased and the fertiliser products were oversupplied which resulted in decrease in the selling price of the fertiliser products. The average selling price of our major products, namely urea, compound fertiliser and methanol decreased by approximately 3.2%, 18.1% and 43.6% respectively, from approximately RMB1,722, RMB2,314 and RMB2,706 per ton respectively for the seven months ended 31 July 2008 to approximately RMB1,666, RMB1,894 and RMB1,526 per ton respectively, for the seven months ended 31 July 2009. Our overall gross profit margin and net profit margin reduced from approximately 26% and 19% for the seven months ended 31 July 2008 to approximately 14% and 6% for the seven months ended 31 July 2009, respectively. Furthermore, if any of our customers are put into liquidation, or experience financial difficulty, orders placed with us may be reduced or even cancelled.

In addition, the economic crisis may also affect the prices at which we may purchase components from our suppliers. If suppliers are put into liquidation or cease business, we will have to source our supplies from other companies. This may lead to delays in or increased cost of production.

The current economic crisis has also caused financial institutions to reduce credit to borrowers. We may therefore need to re-negotiate its existing facilities, and if we fail to secure new facilities or cannot secure facilities with terms which are favourable to us, or if burdensome collateral is required to secure such facilities, our business, operations, financial and trading position may be materially and adversely affected.

Our business performance is heavily influenced by the supply, pricing and quality of our raw materials.

Coal, phosphorous and potassium are our major raw materials required for the production of our fertiliser products and our cost of raw materials accounted for approximately 89%, 93%, 93% and 90% of our total cost of sales for the three years ended 31 December 2008 and the seven months ended 31 July 2009 respectively. Coal is our largest cost component in producing our fertiliser products, the price of which significantly increased from approximately RMB959.9 per ton for the seven months ended 31 July 2008 to approximately RMB1,114.0 per ton for the seven months ended 31 July 2009. The gross profit margin for our urea, compound fertiliser and methanol decreased from approximately 29%, 18% and 34% for the seven months ended 31 July 2008 to approximately 21%, (2)% and (31)% for the seven months ended 31 July 2009, respectively. As such, our cost of sales and gross profit margin for our products are heavily influenced by the prices of such raw materials. We do not enter into any long-term agreements with our raw material suppliers and we only enter into non-legally binding memoranda of understanding with the coal suppliers, by which the indicative quantity of raw material will be agreed but the price will be based on prevailing market prices at the time of supply of raw materials. However, there is no guarantee that we will be able to source adequate amount of raw materials from our suppliers at acceptable prices.

In addition, the prices of the raw materials depend on the global and the PRC market demand and supply which could have considerable influence on our production costs. If the prices of the raw materials increase significantly, and we are not able to transfer such increase to our customers or to purchase the raw materials with the same quality from alternative suppliers at competitive prices, our profit margin may be reduced in the future and our financial performance may be materially and adversely affected.

The fierce competition in the fertiliser business may materially and adversely affect our financial performance.

We operate in a competitive industry and frequently encounter competition from existing competitors in the industry. Some of our competitors are capable of competing with us in terms of pricing, scale and capacity of production facilities, goodwill and customer service. There is no guarantee that we can maintain our ability to compete with them successfully in the future. Any failure by us to maintain our competitiveness could materially and adversely affect our financial performance. Where such competition intensifies and causes the market supply of fertilisers to exceed the respective market demand, our business performance, including our profitability, may be materially and adversely affected.

Other than the competition from domestic fertiliser producers, we also face competitions from foreign fertiliser producers in the market in China. We currently consider the competition with foreign urea producers to be less intense as they mainly use natural gas and crude oil as raw materials, and that those foreign urea producers have suffered as the international prices of crude oil and natural gas soared substantially, while the PRC urea producers can enjoy the PRC government's preferential policy on control of the PRC prices of crude oil and natural gas. Consequently, as compared with the PRC urea producers irrespective of the types of raw material used, the cost competitiveness of foreign urea producers has been negatively affected which generally results in relatively higher selling price of their urea and other fertiliser products. Contrarily, where the prices of such raw materials decrease, it may reduce the selling price of the foreign urea producers' products which may increase market competitiveness and hence materially and adversely affect our competitiveness and our business and financial performance.

Our business is required to comply with the environmental protection laws and regulations.

Our compliance with the applicable environmental protection laws and regulations promulgated by the PRC government in relation to the standards of the discharge of waste water, solid wastes, effluent and gases are compulsory. The local PRC government has the authority delegated by the relevant laws and regulations to impose penalties on those companies failing to comply with the relevant laws and regulations of the PRC.

During our usual production process, waste water, waste gas and coal slag are regularly discharged. In order to comply with the relevant laws and regulations in the PRC, we have installed waste treatment facilities in our production plants to handle such discharges. Notwithstanding the above, there is no guarantee that we will be able to, at all times, be in full compliance with the relevant laws and regulations. In the event our business operations result in environmental pollution leading to non-compliance of the applicable PRC environmental protection laws and regulations, we will be required to rectify such non-compliance and to compensate the entities or individuals who suffered from direct losses causing by such non-compliance, and may be subject to fines and remedial measures. This may materially and adversely affect our business and financial performance.

Furthermore, the PRC government is moving towards more rigorous enforcement of applicable environmental laws and regulations and more stringent environmental standards. In addition to the existing environmental protection laws and regulations, the PRC government may promulgate new environmental protection laws and regulations towards the chemical fertiliser industry in the future. It will be compulsory for us, as well as all other chemical fertiliser producers, to comply with the existing environmental laws and regulations as well as the new environmental protection laws and regulations, if any. As a result, additional costs in our production and operation may be incurred and our budgeted spending in respect of environmental regulatory compliance may not be sufficient. We may need to allocate additional funds for such purpose, which may materially and adversely affect our operation and financial performance.

Our production process may be disrupted by various factors.

Our production process may be disrupted by events such as fires, floods, natural disasters or power failures, which may cause substantial damage to our production facilities and inventories. Where we are unable to repair the damaged equipment or resume our production timely, our operation and our financial performance could be materially and adversely affected. In addition, our production process involves considerable flaming processes and one of our major products, methanol, is highly flammable. If any fire or explosion accident happens in our production facilities and inventories, our business operation could be materially and adversely affected.

We may have insufficient insurance coverage in certain situations.

We have obtained insurance coverage for our certain fixed assets. Nevertheless, many of our raw materials, production processes and certain finished products are potentially destructive and dangerous in unexpected, uncontrolled or catastrophic situations, including fires, explosions, operating hazards, natural disasters and major equipment failures where we are unable to obtain insurance coverage at a reasonable cost or at all. In the event an accident or natural disaster occurs in the future, it may cause substantial property damage and disruption to our operations and personal injuries, and our insurance coverage may be insufficient to cover such loss. Any uninsured loss or loss in excess of insured limits may render us suffer from damage to our production capacity and any future revenues which could materially and adversely affect our business and financial performance.

In addition, we currently do not obtain any insurance coverage against loss of key personnel and product liability claims. If any of such events occurs, our business and financial performance might also be materially and adversely affected.

Our production plants may be materially and adversely affected by power shortages.

The operation of our production plants relies heavily on electricity. We purchase electricity from external power suppliers, and we also generate electricity internally from our power generating systems. During the Track Record Period, approximately 63.4%, 73.6%, 53.9% and 79.6% of electricity consumed by our Group were purchased from the external power suppliers. We may experience occasional and temporary power shortages due to poor weather conditions or natural disasters, which are out of our control. In addition, the PRC authorities may impose restrictions on the consumption of electricity due to power shortages. If we purchase the electricity from external power suppliers, the increase in the price of electricity may also increase our production costs. These factors may disrupt our production and thus materially and adversely affect the operation of our production plants.

A substantial amount of our revenue is derived from the sales of a limited number of main products.

Most of our revenue is derived from the sales of our major products, namely urea, compound fertiliser and methanol. Our three major products accounted for approximately 98.8%, 99.6%, 99.7% and 99.6% of our total revenue for the years ended 31 December of 2006, 2007 and 2008 and the seven months ended 31 July 2009 respectively. Revenue generated from sales of urea was the largest contributor to our total revenue, representing approximately 57.2%, 60.2%, 55.4% and 77.1% of our total revenue for the years ended 31 December 2006, 2007 and 2008 and the seven months ended 31 July 2009 respectively. In the event of a decline in selling prices of these three major products due to increased market supply of, or decreased market demand for these products, our business, financial condition and results of operations could be materially and adversely affected.

Fluctuation of price of our fertiliser products may materially and adversely affect our financial performance.

There are numbers of factors affecting the prices of our three major products, such as general economic conditions, cyclical trends in end-user markets, supply and demand imbalances, weather conditions, and seasonal nature of fertiliser application, and therefore their selling prices will fluctuate accordingly. Our average selling price of our compound fertiliser and methanol decreased from approximately RMB2,314 and RMB2,706 per ton for the seven months ended 31 July 2008 to approximately RMB1,894 and RMB1,526 per ton for the seven months ended 31 July 2009, respectively. The gross profit margin for our urea, compound fertiliser and methanol decreased from approximately 29%, 18% and 34% for the seven months ended 31 July 2008 to approximately 21%, (2)% and (31)% for the seven months ended 31 July 2009 respectively.

Furthermore, methanol is one of our three major products where its average selling price has experienced vigorous fluctuations from approximately RMB1,600 per ton in February 2006 to approximately RMB3,300 per ton in June 2008 resulting from its unstable market supplies and demands. There is no guarantee that the price of methanol will be stable in the future. In the event the price of methanol continues to fluctuate in the future, our financial performance may be materially and adversely affected.

The income tax benefits currently enjoyed by us may be reduced after our tax holiday period, which may materially affect our future financial performance.

The rate of income tax chargeable on companies in the PRC varies depending on the availability of preferential tax treatment or subsidies based on the company's industry or location. On 28 July 2006, upon the reorganisation of our Group, Henan XLX Fertiliser became our subsidiary and a wholly-foreign-owned enterprise and hence was entitled to exemption of the local income tax of 3%. However, as the local income tax exemption is effective on a quarterly basis, Henan XLX Fertiliser was still subject to an income tax rate of 33% until 30 September 2006. The reduced income tax rate of 30% became applicable to Henan XLX Fertiliser on 1 October 2006. Henan XLX Fertiliser is entitled to full exemption from income tax for the first two years and a 50% reduction in income tax for the next three years thereafter. Henan XLX Fertiliser has elected the financial year ending 31 December 2007 as the first profitable year for the purposes of determining tax holiday period. Accordingly, Henan XLX Fertiliser were entitled to full exemption from income tax for the years ended 31 December 2007 and 2008, and will be entitled to a 50% reduction in income tax for the years ending 31 December 2009, 2010 and 2011.

On 16 March 2007, the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the "**PRC EIT Law**") was promulgated by the Standing Committee of the National's People's Congress, which became effective on 1 January 2008. Pursuant to the PRC EIT Law, all enterprises (including the foreign-invested enterprises) will be subject to a uniform tax rate of 25%, and the tax exemptions, reductions and preferential treatments applicable to those foreign-invested enterprises will be revoked. The PRC EIT Law also provides transitional measures for enterprises established prior to the promulgation of the PRC EIT Law and eligible for lower tax rate preferential treatments in accordance with the prevailing tax laws and regulations. These enterprises may continue to enjoy tax preferential treatments after the implementation of the PRC EIT Law until their preferential treatments expire and will become subject to the new, unified tax rate over a five-year period starting from 1 January 2008. As a result of the new law, Henan XLX Fertiliser will not continue to benefit from preferential tax treatment and will be subject to the uniform rate of 25% after the tax holiday period. The expiration of the tax holiday could have a material adverse effect on the Group's financial condition and results of operations. Moreover, the Group's historical operating results may not be indicative of the Group's operating results for future periods in light of the increase in the applicable income tax rate.

Our operations could be materially and adversely affected by departure of members of our management team and failure to recruit and retain competent employees.

Our success is attributed to the leadership and contributions of our management team comprising Mr. Liu and the rest of our executive Directors and senior management, who are responsible for our overall corporate development and business strategies as well as implementing our business plans and driving our growth. As such, the experience and contributions of our management team are crucial to our success. Competition for such personnel may be intense. Any departure of the members of our management team could materially and adversely interrupt our business if we are unable to recruit the replacement personnel with equivalent qualifications timely.

Our Directors believe that an integral part of our success relies on the ability to recruit and retain experienced staff for our business operations. In particular, we hire and retain employees with expertise and knowledge in the chemical fertiliser industry to maintain continuous development of the Group's operations. However, there is no assurance that we will be able to recruit and/or retain suitable employees in the future.

Our operation results may be affected by the gain or loss from derivative financial instruments.

We entered into a convertible loan agreement with some investors on 16 October 2006, by which the investors agreed to grant us a convertible loan facility of an aggregate amount of USD7.12 million in consideration for the right to convert the full sum of the convertible loan into fully paid Shares of the Company (the "**Conversion Right**"). Such convertible loan was converted into the fully paid new Shares in May 2007. The Conversion Right, with embedded derivative features was split into liability and derivative component according to their fair values for measurement purposes. On initial recognition, the fair value of the derivative component was determined based on valuation; and this amount was carried as a derivative component of a liability until extinguished on conversion. The remainder of cost basis until extinguished on conversion. The derivative component is remeasured at each reporting date and upon its conversion on 11 May 2007, a fair value loss of approximately RMB64.3 million was recognised in the consolidated statements of comprehensive income for the year ended 31 December 2007.

During the year ended 31 December 2008, we entered into two non-deliverable interest rate swap agreements (不交收利率調期合約). Pursuant to the non-deliverable interest rate swap agreement dated 21 October 2008, we paid a fixed interest rate of 2.55% per annum for USD28.6 million non-deliverable swap and received a variable interest rate equal to USD LIBOR +2.25% per annum on the notional amount on a quarterly basis. Pursuant to the non-deliverable interest rate swap agreement dated 11 November 2008, we paid a fixed interest rate of 2.5% per annum for USD10 million and received a variable interest rate equal to USD LIBOR+2.25% per annum on the notional amount on a quarterly basis. The swaps are being used to hedge cash flow interest rate risks arising from its floating rate USD syndicated bank loan. The fair value gains and losses arising from changes in the fair value of the derivative financial instruments constitute our other comprehensive income in the consolidated statements of comprehensive income. We recorded fair value gain of approximately RMB19.8 million for the year ended 31 December 2008 and fair value loss of approximately RMB19.1 million for the seven months ended 31 July 2009 on these derivative financial instruments. Due to the nature of the derivative financial instruments, the fair value gains or losses on the swap and other derivative financial instruments will be beyond our control in the future and our operation results may be affected by the gain or loss from such derivative financial instruments.

We had net current liabilities as at 31 December 2006 and 31 July 2009.

As at 31 December 2006 and 31 July 2009, we had net current liabilities of approximately RMB45.8 million and RMB414.7 million respectively. This was primarily because approximately RMB307.6 million of the syndicated loan was classified as current liabilities as at 31 July 2009 as a result that we were not able to meet two financial covenants under a syndicated loan agreement being (a) the ratio of our Group's consolidated total borrowings to the earnings before interest, taxes, depreciation and amortisation shall not be higher than 1.65 to 1 for the year ending 31 December 2009, and (b) the aggregate amount of all financial indebtedness of our subsidiary shall not exceed RMB450,000,000. As a consequence, the lenders had the rights to require us to repay the syndicated loan at anytime. Our Directors confirm that the lenders of the syndicated loan agreement had not requested us to repay the syndicated loan immediately. Our Directors further confirm that there was no cross-default on the Group's other loan agreements for the reason that we were not able to meet the financial covenants under such syndicated loan.

In order to avoid this uncertainty, we had obtained bank borrowings from other banks with a sum in aggregate of approximately RMB300 million with term longer than one year and voluntarily repaid the syndicated loan in advance by the end of September 2009. Furthermore, other banks have agreed to extend the bank borrowings of approximately RMB100 million to terms of over one year and obtained a new long-term bank loan of RMB85 million by the end of October 2009. In this regard, our Directors believe that such net current liabilities position is temporary in nature and that our Group had returned to net current asset position as at 31 October 2009. Our net current liabilities position exposes us to liquidity risk, and we may have net current liabilities in the future, which will be affected by our future operating performance, prevailing economic conditions, financial, business and other factors, many of which are beyond our control.

RISKS RELATING TO THE GROUP'S INDUSTRY

Changes in the PRC government policies in relation to the chemical fertiliser industry and agricultural industry may materially and adversely affect our business and financial performance.

The PRC government has been subsidising and regulating the chemical fertiliser industry through a series of government policies. In order to ensure the stability of the price of chemical fertilisers and to protect the livelihood of the farmers in the PRC, the PRC government used to impose a price ceiling for urea. To reduce the impact on chemical fertiliser producers in the PRC caused by such price ceiling, the PRC government has introduced certain preferential policies to subsidize the chemical fertiliser producers to reduce their production costs by issuing the "Notice Regarding Reform of Fertiliser's Pricing Policies" (《關於改革化肥價格形成機制的通知》)（發改價格[2009]268號）(the "**NDRC's Notice**") by the NDRC and the Ministry of Finance PRC on 24 January 2009. Since then, the price of chemical fertilisers has been formed based on market-adjusted prices instead of government guided prices.

There are currently two main preferential policies provided to the PRC chemical fertiliser producers which are beneficial to our Group, including the preferential VAT policy and the electricity subsidies.

According to the "Notice of Temporary Exemption of VAT for Urea" (《關於暫免徵收尿素產品增值稅的通知》) jointly issued by the Ministry of Finance PRC and the State Administration of Taxation on 23 May 2005, fertiliser producers, including our Group, are entitled to full VAT exemption on urea products. In addition, according to the "Notice on Exemption of VAT for Agricultural Materials" (《關於若干農業生產資料徵免增值稅政策的通知》) jointly issued by the Ministry of Finance PRC and the State Administration of Taxation on 20 July 2001, fertiliser producers, including our Group, are also entitled to full VAT exemption on compound fertiliser and ammonia solution.

According to the "Notice on Electricity Price in Production for Fertiliser Enterprises" (《關於化肥企業生產用電價格的通知》) issued on 13 April 2004, the "Notice on Perfecting Production, Supplying of Fertiliser and Enforcing the Administration of Price" (《關於做好化肥生產供應工作加強價格監管的通知》) issued on 17 November 2004 by the NDRC, the "Notice on Adjustment to the Electricity Rates of the Province" (《關於全省電價調整的通知》) issued on 3 July 2006 by the Development and Reform Committee of Henan Province and the "Notice on Increment of the Electricity Price in Central China" (《關於提高華中電網電價的通知》) issued on 29 June 2008 by NDRC, we had been enjoying a reduced rate of between RMB32 cents and RMB37 cents per Kwh of electricity for electricity purchased from the grid during the period between July 2008 and October 2009, compared to the national rate of RMB49 cents per Kwh of electricity for industrial power usage of same level as of October 2009.

According to the NDRC's Notice, the abovementioned preferential VAT policies and electricity subsidies will be retained until further policies are announced by the PRC government. These policies significantly assist us in achieving higher net profit. If there are any unfavourable changes in such policies or any additional unfavourable policies towards the industries, our net profit attributable to the Shareholders will be reduced considerably and our business and financial performance will be materially and adversely affected.

In addition, the PRC government currently provides certain incentives, including free schooling and taxes rebates, to farmers in the PRC in order to increase the purchasing power of the farmers to purchase fertilisers. If such incentives are reduced or removed, the purchasing power of the farmers will be reduced accordingly and the profitability of our business will be materially and adversely affected as well.

Changes in the import and export taxation policy of chemical fertiliser may materially and adversely affect our financial performance.

The PRC government may change its import and export taxation policy in order to control the chemical fertiliser import and export in the PRC. Prior to 2008, the PRC export tax rate in respect of compound fertiliser was zero. In early 2008, in order to ensure the export of compound fertiliser would not adversely affect its supply in the PRC, a special export tax of 100% was imposed on the export of compound fertiliser. As a result, the quantity of export of compound fertiliser decreased significantly in 2008 compared to 2007. In the future, the PRC government may change its import and export taxation policies in respect of other chemical fertiliser products, such as urea, to control their import and export. In this regard, our financial performance may be materially and adversely affected.

The revolving nature of the fertiliser industry may cause significant fluctuations to our financial conditions.

Our three main products, namely urea, compound fertiliser and methanol, have contributed a substantial portion to our sales volumes and revenues. Our future performance could be affected by the general global and domestic economic conditions, the revolving trends in end-user markets and the industry supply and demand. The supply of fertilisers varies by the increase or decrease of the production capacity and inventory levels. The domestic price of fertilisers is mainly affected by the demand for agricultural products, the affordability by farmers and the PRC government policies. During a period where the demand for fertiliser products is high, such high demand leads to the high capacity of utilisation and the increase of profit margins. Thus, new plant investments and productions increase accordingly until their supply surpasses such demand. The high demand period is then replaced by a low supply period until such cycle repeats.

Seasonality and unexpected adverse weather conditions could materially and adversely affect our operation results.

The price of fertilisers could be affected by weather conditions and the seasonal nature of fertiliser applications. Different crops are grown in different regions in the PRC at a particular season, different regions would exhibit various seasoned demands for fertiliser products. The demand for our urea products as well as our revenues and operation results are also influenced by the above sales pattern. Accordingly, due to the weather-related shifts in planting schedules and the said sales pattern, our quarterly performance may vary dramatically from one quarter to the next quarter. The unexpected adverse weather conditions could materially and adversely affect the sales of our fertiliser products and thus affect our operation results.

A significant or prolonged downturn in the PRC agricultural industry could materially and adversely affect our business and financial performance.

Production and sales of fertiliser products to the agricultural industry are our major businesses. As a result, our business performance is affected by the level of business activities of such industry, which is in turn affected by the global economic conditions and the markets they serve. Our business will be less profitable if such level of business activities declines.

The popularity of urea fertilisers may be reduced by increasing usage of other types of fertilisers resulting in a material and adverse influence on our financial performance.

Currently, urea fertilisers, our major products, are the mainstream in the chemical fertiliser industry in the PRC. If urea fertilisers face substantial competition from other types of fertiliser causing its popularity to fall, the demand of urea fertilisers would decrease and thus our revenue and profit would be materially and adversely affected.

RISKS RELATING TO THE GROUP'S OPERATIONS IN THE PRC

The Group's business could be affected by changes in China's economic, political or social conditions or government policies.

The PRC economy differs from the economies of most developed countries in many aspects, including its:

- structure;
- amount of government involvement;
- level of development;
- growth rate;
- control of foreign exchange;
- capital reinvestment;
- rate of inflation;
- trade balance position; and
- allocation of resources.

While the PRC economy has experienced significant growth in the past 25 years, such growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various economic reforms and measures to encourage economic growth and to guide the allocation of resources. Some of these reforms and measures benefit the overall PRC economy, but such may also have a material adverse effect on us. For example, the financial condition and results of operation may be materially and adversely affected by the government control over capital investments or changes in tax regulations that are applicable to the Group.

The PRC economy has been transitioning from a planned economy to a more market-oriented economy. Although in recent years the PRC government has implemented measures emphasizing the utilisation of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, a substantial portion of the productive assets in China is still owned by the PRC government. The continued control of these assets and other aspects of the national economy by the PRC government could materially and adversely affect the Group's business. For example, the PRC government could limit the extent of government-controlled entities in choosing which private enterprise to service their human resource requirements. The PRC government could also develop and support government-owned or controlled human resource enterprises in direct competition with us. In addition, the PRC government continues to play a significant role in regulating the industry development by imposing relevant policies. It also exercises significant control over PRC economic growth through allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

The PRC legal system has inherent uncertainties that could materially and adversely affect us.

The PRC legal system is based upon written statutes. Prior court decisions may be cited for reference but are not binding on subsequent cases and have limited value as precedents. Since 1979, the PRC legislative bodies have promulgated laws and regulations dealing with economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade. However, the PRC has not developed a fully integrated legal system and the array of new laws and regulations may not be sufficient to cover all aspects of economic activities in the PRC. In particular, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, published government policies and internal rules may have retroactive effects and, in some cases, the policies and rules are not published at all. As a result, the Group may be unaware of the violation of these policies and rules until some time later.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions in the PRC based on foreign laws against us, our management or the experts named in this document.

We conduct substantially all of our operations in China and substantially all of our assets are located in China. In addition, the majority of our directors and executive officers and some of the experts named in this document reside within China. As a result, it may not be possible to effect service of process outside China upon these directors or executive officers or some of the experts named in this document. Moreover, our PRC legal advisers, Haihua Yongtai Law Firm, have advised us that the PRC does not have treaties with many developed countries, including the United States, the United Kingdom, Japan, or many other countries providing for the reciprocal recognition and enforcement of judgment of courts.

Furthermore, the PRC government is moving towards more rigorous enforcement of applicable environmental laws and regulations and more stringent environmental standards. In addition to the existing environmental protection laws and regulations, the PRC government may promulgate new environmental protection laws and regulations towards the chemical fertiliser industry in the future. It will be compulsory for us, as well as all other chemical fertiliser producers, to comply with the existing environmental laws and regulations as well as the new environmental protection laws and regulations, if any. As a result, additional costs in our production and operation may be incurred and our budgeted spending in respect of environmental regulatory compliance may not be sufficient. We may need to allocate additional funds for such purpose, which may materially and adversely affect our operation and financial performance.

Inflation in China could materially and adversely affect our profitability and growth.

While the PRC economy has experienced rapid growth, such growth has been uneven among various sectors of the economy and in different geographical areas of the country. Rapid economic growth can lead to growth in the money supply and rising inflation. If prices for our products and services rise at a rate that is insufficient to compensate for the rise in our costs, our business may be materially and adversely affected. In order to control inflation in the past, the PRC government has imposed controls on bank credits, limits on loans for fixed assets and restrictions on state bank lending. Such an austerity policy can lead to a slowing of economic growth. A slowdown in the PRC economy could also materially and adversely affect our business and prospects.

Changes in foreign exchange regulations and future movements in the exchange rate of Renminbi may adversely affect the financial condition and results of our operations and our ability to pay dividends.

Conversion of Renminbi is limited by the relevant government regulation in the PRC. Currently, Renminbi is freely exchangeable in current account transactions, but is controlled in capital accounts. Renminbi is our principal currency for accounting records and domestic sales, but our revenue derived from export sales is denominated in foreign currencies. As a result, our operations are exposed to fluctuations in the exchange rate of Renminbi against these foreign currencies. Following the Listing, we will be able to pay dividends in foreign currencies without prior approval from the SAFE, by complying with certain procedural requirements. However, there is no assurance that these foreign exchange policies in relation to payment of dividends in foreign currencies will continue in the future.

The value of Renminbi may fluctuate due to certain factors. On 21 July 2005, the PRC Government reformed the Renminbi exchange rate mechanism so that the Renminbi was no longer pegged to the US dollars but to a basket of currencies. A revaluation of Renminbi resulted in the appreciation of Renminbi against the US dollars and Hong Kong dollars by approximately 2%. The relaxation of the Renminbi-US dollar peg may contribute to volatility or increased fluctuations in the value of Renminbi. Further appreciation of Renminbi may have an adverse impact on our export sales. Contrarily, the depreciation of Renminbi would adversely affect the value of dividends, if any, payable on the Shares by us in foreign currencies.

The PRC Labour Contract Law may increase our labour costs.

On 29 June 2007, the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) (the "**PRC Labour Contract Law**") was promulgated by the Standing Committee of the National's People's Congress, which became effective on 1 January 2008. The PRC Labour Contract Law imposes the requirement of severance payment, the time limits for probation periods and non-fixed term employment contracts, which may increase our labour costs. It also requires that social insurance should be paid on behalf of employees, otherwise employees are entitled to unilaterally terminate the labour contract. Fines may be imposed for any breach of the PRC Labour Contract Law.

As a result of the requirements imposed by the PRC Labour Contract Law, our historical labour costs may not be indicative of its labour costs going forward. Compliance with the relevant laws and regulations may substantially increase the Group's operating costs, thus may have a material adverse effect on our financial condition or results of operations.

We face risks related to health epidemics and other outbreaks.

Our business could be materially and adversely affected by the effects of Severe Acute Respiratory Syndrome (or SARS), avian influenza, Influenza A (H1N1, or widely known as swine influenza) or another epidemic or outbreak on the economic and business climate. China reported a number of cases of SARS in April 2004, avian influenza has been reported in western China and several countries in Southeast Asia in 2005 and swine influenza has resulted in numerous human deaths in several provinces in the PRC in 2005. The recent outbreak of Influenza A has caused deaths worldwide. Restrictions on travel resulting from a reoccurrence of SARS or another epidemic or outbreak could adversely affect our ability to market and service new and existing customers throughout China.

Our business operations could be disrupted if one of our employees is suspected of having SARS, avian influenza or swine influenza, since it could require us to quarantine some or all of our employees and/or disinfect our offices. In addition, our results of operations could be adversely affected in the event that SARS, avian influenza, swine influenza or another outbreak harms the Chinese economy in general.

RISKS RELATING TO THE DUAL PRIMARY LISTING OF THE COMPANY

There are different characteristics between the Singapore stock market and Hong Kong stock market.

The Shares have been listed and dealing on the SGX-ST has commenced since 20 June 2007 (the "**Singapore Shares**"). Following the Listing, it is our current intention that the Singapore Shares will continue to be traded on the SGX-ST, and the Shares subject to the Introduction to be registered by the Hong Kong Branch Share Registrar (the "**Hong Kong Shares**") will be traded on the Stock Exchange. As there is no direct trading or settlement between the stock markets of Singapore and Hong Kong, time required to shunt shares between the CDP and Hong Kong Branch Share Registrar may vary and there is no certainty when shunted shares will be available for trading or settlement.

The SGX-ST and the Stock Exchange have different trading hours, trading characteristics (including trading volume and liquidity), trading and listing rules and investor bases (including different levels of retail and institutional participation). As a result, the trading price of the Singapore Shares and the Hong Kong Shares may not be the same. Further, fluctuations in the price of the Singapore Shares could materially and adversely affect the price of the Hong Kong Shares and vice versa. Moreover, fluctuations in the exchange rate between Singapore dollars and Hong Kong dollars could materially and adversely affect the prices of the Singapore Shares and the Hong Kong Shares. Due to the different characteristics of the stock markets of Singapore and Hong Kong, the historical prices of Singapore Shares may not be indicative of the performance of the Hong Kong Shares after the Listing. Investors should therefore not place undue reliance on the prior trading history of the Singapore Shares when evaluating an investment in the Introduction.

The Company, being incorporated in Singapore and listed on the SGX-ST, is concurrently subject to, amongst others, the Singapore Companies Act, the Listing Manual, the Securities and Futures Act and the Singapore Code.

Being a company incorporated in Singapore and listed on the SGX-ST, the Company is required to comply with, amongst others, the Singapore Companies Act, the Listing Manual, the Securities and Futures Act in addition to the Listing Rules. In the event of any conflict between the applicable rules and regulations in Singapore and those under Hong Kong laws, the Company would have to comply with the more onerous rules, subject to approvals from the relevant stock exchange(s) and/or government authority(ies). In this connection, additional costs and resources could possibly be incurred. In addition, being a listed company in Singapore, the Company is also subject to the relevant provisions of the Singapore Companies Act and the Singapore Code that are applicable to any person who would like to conduct a future takeover or change in control of the Company. Please refer to the paragraph headed "Principal differences between the continuing obligations applicable to listed companies under the Listing Rules and the Listing Manual" in Appendix V for details of the principal differences between the continuing obligations applicable to listed companies under the Listing Rules and the Listing Manual.

There may be limited liquidity in the Shares and volatility in the price of the Shares on the Stock Exchange.

The Shares have not been traded on the Stock Exchange before the Listing and there may be limited liquidity in the Shares on the Stock Exchange. There may be few or no Shareholders who are willing to remove their holdings in the Company from the Singapore Principal Share Register to the Hong Kong Branch Share Register following the Listing. Investors may therefore not be able to purchase Shares or liquidate their shares quickly or at prices attractive to them. The market price of the Shares may be volatile and may go down as well as up and investors may therefore not be able to recover their original investment, especially as the Shares may have limited liquidity. In addition, the price at which investors may dispose of their Shares may be influenced by a number of factors, some of which may pertain to the Company, while others are extraneous to it.

Dividends declared by the Company in the past may not be indicative of the Company's dividend policy in the future.

Any proposal by our Directors for the declaration of dividends and amount of any dividends to be paid will depend on various factors, including, but not limited to, the Group's results of operations, future profits, financial position, regulatory capital requirements, working capital requirements, general economic conditions and any other factors that our Directors may consider relevant from time to time. Accordingly, the Group's historical dividend distributions are not indicative of its future dividend distribution policy and potential investors should be aware that the amount of dividends paid previously should not be used as a reference or basis for predicting future dividends.

RISKS RELATING TO STATEMENTS MADE IN THIS DOCUMENT

Forward-looking information may prove inaccurate.

This document contains forward-looking statements and information relating to our operations and prospects that are based on our current beliefs and assumptions as well as information currently available to us. When used in this document, the words "anticipate," "believe," "estimate," "expect," "plans," "prospects" and similar expressions, as they relate to our business, are intended to identify forward-looking statements. Such statements reflect our current beliefs with respect to future events and are subject to risks, uncertainties and various assumptions, including the risk factors described in this document. Should one or more of these risks or uncertainties materialize, or should any of the underlying assumptions or information prove incorrect, actual results may diverge significantly from the forward-looking statements in this document. We do not intend to update these forward-looking statements in addition to on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange.