Investors should consider carefully all of the information set out in this prospectus and, in particular, should evaluate the following risks in connection with an investment in the Group. Investment in the PRC carries a high degree of risk. In addition to normal investment risks, the Group's business in the PRC will be subject to certain risks that are unique to that country.

RISKS RELATING TO THE GROUP

Dependence on a major customer

Sales to the Chaoda Group accounted for approximately 29.1% of the Group's turnover for the year ended 30th June, 1999. The Chaoda Group is one of the leading suppliers of organic fertilisers in the PRC and the Group's single largest customer. The Group entered into a sales contract with the Chaoda Group on 18th October, 1999 pursuant to which the Chaoda Group agreed to purchase not less than a minimum quantity of 250 tonnes of any kind of the Group's products in the year ending 30th June, 2000 and in each of the five years thereafter. The products will be sold to the Chaoda Group at the same prices as the Group sells to its other customers from time to time. If the minimum quantity is not purchased by the Chaoda Group in any period, it will pay to the Group a cash amount to compensate for the shortfall between the minimum quantity and the actual purchased quantity which will be calculated on the basis of the average price at which the Group has sold its PGRs to the Chaoda Group during the relevant period. Each of the Group and the Chaoda Group is entitled to terminate the sales contract before the end of its term on certain grounds including where the other party commits a material breach of any of the terms of the sales contract and such breach is not remedied within a specified time or such other party goes into liquidation or ceases to carry on business. While it is the Group's intention to continue broadening its customer base, the Directors foresee that the Chaoda Group will remain one of the Group's major customers in the near future. Until sales to the Chaoda Group account for a lesser proportion of the Group's turnover, any failure by the Chaoda Group to meet its obligations under the sales contract as to the placing of purchase orders or payment or any material adverse change in the business or financial position of the Chaoda Group may have a material adverse effect on the Group's business, operating results and financial position.

Protection of confidential technical knowhow

The Group's regulatory-type PGRs are produced from a combination of various types of organic acids, alcohols, catalysts and organic solvents. The quantity required of the materials, the duration for which and the temperature at which the materials are to be processed all form part of the confidential technical knowhow that is key to the Group's production process and is known only to Mr. Wu, the Chairman of the Company, and certain other key technical and management personnel. Mr. Wu and such other personnel are bound, in their service contracts with the Company, to observe strict confidentiality in respect of the Group's production knowhow.

The most important part of the Group's production technology relates to the production of the base chemical of DCPTA from which specific purpose PGRs for different agricultural produce are produced. While the chemical compound structure of DCPTA is generally known, the process by which DCPTA may be produced has, to the knowledge of the Directors, remained to be confidential information. In July 1999, Mr. Wu applied to the PRC Patents Registry for patent registration in respect of the technical knowhow relating to DCPTA production and in September 1999, he assigned all his rights and interests in such technical knowhow and the benefit of such application to the Group. According to the Directors' understanding, the processing of the Group's patent application will involve the public notification of the application by the PRC Patents Registry after a period of 18 months has elapsed from the date on which the application was made. After such notification, the

Registry will review such application which involves conducting searches, both in the PRC and internationally, to ascertain whether there is any existing patent registration in respect of identical or substantially similar DCPTA production knowhow. If the PRC Patents Registry is satisfied with such review, it will approve the patent application. Within 6 months of such registration, objections may be lodged. Once approved (and unless successfully challenged), the patent registration will be valid for a term of 20 years from the date of application. The entire registration process could take up to three years to complete. Hence, the Group does not expect the registration of its patent under application to be completed until 2002. According to searches conducted at the PRC Patents Registry at the instructions of the Directors, there is currently no patent registration in respect of technical knowhow related to the production of DCPTA with the PRC Patents Registry.

Investors should appreciate that any breach of confidentiality in respect of the Group's production knowhow may have a material adverse effect on its business. To the knowledge of the Directors, the use by the Group of its DCPTA production knowhow in the PRC does not infringe the intellectual property right of any third party. Investors should appreciate, however, that there is no assurance that the Group's patent application to the PRC Patents Registry will be approved. Investors should also appreciate that while the Group's application for patent registration in the PRC will, when completed, provide additional protection under the PRC Patent Law (1984, revised in 1992), there remains a significant degree of risk of patent infringement and significant uncertainty as to effective enforcement against infringers in the PRC.

While the Group is currently the only producer of DCPTA-based regulatory-type PGR in the PRC, it is possible that another party may sucessfully develop its own DCPTA production technology including by conducting detailed analysis of the Group's products. However, in the Directors' view, this would involve significant technical difficulty and is unlikely to be achieved within a short period of time. It is also possible that another party may be able to commence production of DCPTA-based PGR by purchasing DCPTA in its processed form as a raw material, although the Directors are not aware of any existing supply of DCPTA as a raw material.

Importance of continuing research and development

The technical knowhow that is key to the production of the Group's products has been developed by Mr. Wu over a period of more than four years from early 1992. The Group is currently the only producer of regulatory-type PGR in the PRC and its products are more technologically advanced and hence, are an improved product compared to hormone-type PGRs. The Group will place continued emphasis on research and development and will closely monitor technology development in the industry. Investors should, however, appreciate that, over time, it is possible that regulatory-type PGRs may be superceded by more technologically advanced products. Investors should also note that the achievement of the business objectives set out in the section headed "Future Plans and Business Objectives" assumes that the Group does not encounter any significant difficulty in the research and development of any of its new products. If the Group encounters any such difficulty, it may delay the achievement of such business objectives or may result in such business objectives having to be significantly revised or adjusted.

Use of "超大" trade mark

The Group produces and sells all of its products under the "超大" trade mark which is owned by the Chaoda Group and registered in the PRC. The Group and the Chaoda Group have entered into licence agreements pursuant to which the Chaoda Group granted the Group the exclusive right to use the "超大" trade mark in connection with the production and sale of PGR products in the PRC and

Hong Kong for a fixed term of 25 years which may be renewed by the Group and the Chaoda Group by further agreement (see the section headed “Business — Intellectual Property Rights” and paragraph 9 of Appendix V). The Chaoda Group is one of the leading suppliers of organic fertilisers in the PRC and its “超大” trade mark and brand name are well-established in the PRC agricultural industry. Given the Group’s reliance on the use of the “超大” trade mark and brand name, however, investors should appreciate that the Group’s business may be materially adversely affected if it loses the use of the “超大” trade mark and brand name (which could arise if, for instance, the trade mark licence agreements with the Chaoda Group become terminable by the Chaoda Group in the event that the Group commits any material breach of their terms such as failure to pay the licence fee when due or sub-licensing of the right to use the trade mark to any third party without the Chaoda Group’s consent, or when the registration of the “超大” trade mark in the PRC expires on 20th August, 2007 and is not renewed) or if the goodwill associated with the “超大” trade mark or brand name is adversely affected whether as a result of infringement, misuse or otherwise.

Dependence on key personnel

The Group’s success is, to a significant extent, built upon the technical knowhow possessed by Mr. Wu, Mr. Yang Zhuoya and certain other key technical and management personnel. Each of them has entered into a service contract with the Group for a fixed term of ten years expiring between 2007 and 2009 (subject to the Group’s right of termination in certain circumstances). Each of them has also undertaken to the Group not to divulge confidential information or to engage in competing business with the Group during the term of his service contract and in the case of Mr. Wu, for ten years, and in the case of the others, for three years after its expiry or termination. The loss of Mr. Wu or any of the other key technical and management or the failure by any of them to observe and perform his obligations under the service contract may have a material adverse effect on the Group.

Product liability risk

The Group does not currently maintain any product liability insurance. The Group has not experienced any third party liability claim in relation to its products. To control its product liability risk, the Group places significant emphasis on quality control and continually monitors any possible harmful effect that its products may have. However, given that it does not have any product liability insurance, any significant product liability claim could have a material adverse effect on the Group.

Year 2000 compliance

The year 2000 problem arises primarily because computer data storage had been expensive in the past and, therefore, most systems were equipped only with two digits to represent the year in their database so as to save storage space. The Group has assessed its computer software and systems in relation to their ability to process accurately transactions with dates extending beyond the year 2000 and they are year 2000 compliant. No assurance can be given, however, that such computer systems will function satisfactorily and according to expectation, or that, if problems do occur, they will not have a material adverse effect on the Group’s business and financial condition.

In addition, although the trading relationships between the Group and its significant suppliers and customers are generally governed by written contracts and the nature of the transactions the Group currently conducts with them are not heavily dependent on computer software and systems, any failure by its significant suppliers and customers to attain year 2000 compliance in respect of their computer software and systems may cause inconvenience to and may also adversely affect the Group’s business.

RISKS RELATING TO THE INDUSTRY

Product classification

The production of chemical products in the PRC is regulated by the State Bureau of Petroleum and Chemical Industry. Each type of chemical products is subject to different product classification by the State Bureau of Petroleum and Chemical Industry and according to such classification, different testing procedures and regulatory requirements. The sale of fertilisers, pesticides, PGRs and certain other ancillary products for the agricultural industry in the PRC is regulated by the Ministry of Agriculture. Each such product is subject to different product classification by the Ministry of Agriculture and according to such classification, different regulatory requirements. As PGR is an agricultural chemical, its production and sale in the PRC are currently regulated by both the State Bureau of Petroleum and Chemical Industry and the Ministry of Agriculture. Agricultural chemicals may fall under the product classification of either fertilisers or pesticides and depending on such classification, are subject to different testing procedures and regulatory requirements, and are entitled to different preferential policies such as exemption from value-added tax and reduction of enterprise income tax if they satisfy specific requirements within their classification. As PGRs are a relatively new agricultural chemical product in the PRC, there has, so far, not been any clear guideline as to whether they should be classified under the fertiliser or pesticide category.

The DCPTA-based regulatory-type PGR of the Group has been registered under the classification of pesticide and is entitled to an exemption from PRC value-added tax. In obtaining such registration, the chemical composition of the PGR had to be tested and verified by the State Bureau of Petroleum and Chemical Industry. In addition, the PGR had to be subject to various testings as well as field experiments which involved the application of the PGR in the cultivation of various agricultural produce at three locations over a two-year period. Such testings and experiments were carried out by independent agricultural technology bodies or universities on behalf of the Ministry of Agriculture, the primary purpose of which was to verify the effect and safety in use of the PGR. The registration covers all of the specific purpose regulatory-type PGRs produced by the Group so long as they are DCPTA-based and no separate registration, testing or field experiment is required for each specific purpose PGR.

The Directors understand that the PRC government is considering establishing a new classification for PGRs for the purposes of the registration requirements described above. If such a new classification is introduced, it is uncertain, at this stage, as to how it would affect the Group and its products and whether there would be any change in the registration process or preferential treatment (in terms of exemption from PRC value added tax) currently available to the Group.

Natural disasters and extreme weather conditions

As the Group's business is closely related to the agricultural industry, the occurrence of droughts, floods, earthquakes or other natural disasters on a significant scale or extreme weather conditions for any prolonged period in the PRC that results in any material adverse effect on the agricultural industry in the PRC will also have a material adverse effect on the Group's business.

RISKS RELATING TO THE PRC

Political and economic factors

Since 1979, the PRC government has been reforming the economic and political systems of the PRC, and these reforms are expected to continue. Many of the reforms are unprecedented or experimental and are expected to be refined or changed. Other political, economic and social factors could also lead to further readjustments to the reform measures. The Group's operations and financial results could be adversely affected by adjustment in the state plans or the political, economic or social conditions of the PRC or changes in the policies of the PRC government, such as changes in laws and regulations (or the interpretation thereof), measures which may be introduced to control inflation, changes in the rate or method of taxation, imposition of additional restrictions on currency conversion and the imposition of additional import restrictions.

The PRC economy has experienced significant growth in the past few years, but such growth has been uneven both geographically and among the various sectors of the economy. The PRC government has implemented various macroeconomic and fiscal measures from time to time to control inflation and to regulate economic expansion with a view to preventing overheating of the economy. The official inflation rate was 17.1% in 1995, 8.3% in 1996 and 2.8% in 1997. The official deflation rate in 1998 was 0.8%. The PRC government has implemented policies from time to time to restrain the rate of such economic growth and control inflation or otherwise regulate economic expansion. Although the Group may benefit from any reduction in inflation, such measures or other actions by the PRC government could adversely affect the Group's business, prospects and results of operations.

Government control of currency conversion and exchange rate risks

The PRC government imposes control over the convertibility of Renminbi into foreign currencies. With effect from 1st January, 1994, the PRC government implemented a unified floating exchange rate system based on market supply and demand. Under the new system the PBOC publishes the PBOC Exchange Rate based on the previous day's dealings in the inter-bank foreign exchange market. Foreign currency designated banks use the exchange rate published by the PBOC as a basis and decide a rate of its own, which is within the floating range specified by the PBOC, to enter into foreign exchange sales and purchase transactions with customers. Foreign investment enterprises ("FIEs") (including sino-foreign joint ventures) are required to apply to the local bureau of the SAFE for "foreign exchange registration certificates" ("FERCs"). With such FERCs (which are granted to FIEs upon fulfilling certain specified conditions and which are reviewed annually by the local bureau of the SAFE in association with the Ministry of Trade and Economics, Bureau of Industry and Commerce and Customs Department) and authorisation from the SAFE (which is obtained on a transaction-by-transaction basis), FIEs may enter into foreign exchange transactions at the swap centres to obtain foreign exchange for their needs.

On 20th June, 1996, the PBOC promulgated the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment, and on the same date, it issued the 1996 No. 1 Order in respect of foreign exchange settlement and sale with banks which is applicable to FIEs. Under the new system, FIEs may undertake foreign exchange settlement and sale with designated foreign exchange banks after registration of their foreign exchange accounts, and may also continue to buy and sell foreign currency through the foreign currency adjustment centres ("Swap Centres") established by the SAFE. FIEs may open a foreign exchange settlement account for the receipt and payment of current items and a special foreign exchange account for the receipt and payment of capital items. The SAFE determines the maximum amount of foreign currency income which may be retained by the FIEs as current items based on its needs for foreign currency of current items. From 1st December 1998 onwards, all business of the Swap Centres in the PRC engaged by FIEs has been cancelled and the sale and purchase of foreign exchange by FIEs has been included in the currency clearing system of the banks.

Although the new regulations have provided for the greater convertibility of the Renminbi, Renminbi is still not a freely convertible currency.

The Group does not currently have any foreign currency borrowing. Its main foreign currency requirement is in respect of the operations of its Hong Kong office. After the completion of the Share Offer, the Group will also need foreign currency to meet the payment of any dividend declared by the Company. The Group's two main operating subsidiaries, Xiamen Genben and Fuzhou Topmart, receive all of their revenues in Renminbi. Xiamen Genben is a sino-foreign equity joint venture enterprise and Fuzhou Topmart is a wholly foreign-owned enterprise and hence, both are FIEs. They have been issued with FERCs by the local bureau of the SAFE and are entitled to buy foreign exchange at the currency clearing system of the relevant bank for remittance outside the PRC. As FERCs are reviewed annually, there is no assurance that Xiamen Genben's or Fuzhou Topmart's right to undertake foreign exchange transaction may not be revoked or withdrawn. There is also no assurance that the Group will otherwise be able to obtain sufficient foreign exchange to meet its requirements (including as to the payment of dividends by the Company).

There can be no assurance that exchange rates will not become volatile or that the exchange rate of Renminbi against the U.S. dollar will not change in such a way as to affect the financial position of the Group. Exchange rate fluctuations may adversely affect the Group's financial performance.

Any devaluation of the Renminbi would increase the effective cost to the Company of satisfying its foreign currency requirements. Any such devaluation may also materially adversely affect the value, translated or converted into US or Hong Kong dollars, of the Group's net assets, its earnings and any declared dividends.

PRC legal system

Since 1979, many laws and regulations dealing with economic matters in general have been promulgated in the PRC. The PRC is still developing a legal framework to accommodate the needs of investors and to facilitate foreign investment. Since the PRC economy is undergoing development at a much faster pace than the legal system, some degree of uncertainty can be expected until legislation catches up with the economic reforms. The PRC legal system is based on statutes and decided legal cases are without binding legal effect. The interpretation of PRC laws may be subject to policy changes reflecting domestic political changes.

As the PRC legal system develops, the promulgation of new laws, changes to existing laws and the pre-emption of local regulations by national laws may all affect foreign investors. The trend of legislation over the past 18 years has, however, significantly enhanced the protection afforded to foreign investors in the PRC. Foreign parties may resolve disputes through arbitration or litigation. Arbitration alternatives include the China International Economic and Trade Arbitration Commission and the Maritime Arbitration Commission. The PRC is a signatory to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, under which an award rendered by a foreign arbitration tribunal should, as provided in the Convention, be enforceable. Judicial alternatives include various levels of the People's Courts, specialised courts (for example, the maritime or the railway courts) and, ultimately, the Supreme People's Court. However, on 1st July, 1997, Hong Kong became a Special Administrative Region of the PRC as a result of which the New York Convention, which is based on the assumption that the parties are located in different jurisdictions, can no longer be the basis for mutual enforcement of arbitration awards between the PRC and Hong Kong. On 21st June, 1999, the PRC and Hong Kong reached an agreement on "Arrangement for the Reciprocal Enforcement of Arbitral Awards between the PRC and Hong Kong"

(關於內地與香港 特別行政區互相執行仲裁裁決的安排). According to this agreement, the court of Hong Kong agrees to enforce awards made by PRC arbitral authorities pursuant to the Arbitration Law of the PRC (中華人民共和國仲裁法). The courts in the PRC have also agreed to enforce awards made in Hong Kong pursuant to the Arbitration Ordinance. This arrangement will become effective after a judicial explanation has been issued by the Supreme People's Court of the PRC and the Arbitration Ordinance has been amended in Hong Kong.

China's Entry to the World Trade Organisation

China is currently seeking to re-join as a contracting member of the World Trade Organisation which uniformly regulates trade and tariffs among its contracting members. The PRC government has, on various occasions in the past two to three years, reduced import tariffs on a wide range of products. This process towards the general opening up of the Chinese market is expected to continue. This could result in foreign-made PGRs being imported into China at lower tariff rates, and might consequently lead to an increase in the competition faced by the Group. In such circumstance, while the Directors believe that the Group's products would be able to maintain their price competitiveness, there can be no assurance that the business of the Group may not be materially adversely affected.

RISKS RELATING TO THE SHARE OFFER

Asian economic conditions

Since mid-1997, capital markets in Hong Kong and other parts of Asia have experienced unprecedented levels of volatility. Such volatility has brought about significant depreciation in the value of certain Asian currencies relative to the US dollar. Over this period, the Hong Kong dollar and the Renminbi have not experienced any significant depreciation. Any devaluation in Hong Kong dollar or the Renminbi could further increase the volatility of trading on the Stock Exchange.

Statistics

Facts and statistics in this prospectus relating to the PRC economy (including the PGR industry) are derived from various government and institute research publications. While the Directors have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, such facts and statistics have not been independently verified by the Group and, therefore, the Group makes no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC.