

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL POSITIONS

As at the year end date, the Group had total bank borrowings of approximately HK\$86.75 million, out of which HK\$9.30 million was repayable within one year, HK\$9.51 million repayable between one to two years, HK\$24.40 million repayable between two to five years and HK\$43.54 million repayable after five years.

During the year under review, the holder of the convertible redeemable non-voting preference shares (“Preference Shares”), being the substantial shareholder of the Company, without exercising the conversion rights attached to the Preference Shares before its maturity, issued a redemption notice to the Company for requesting the Company to redeem all of the Preference Shares at its nominal value of HK\$1,000,000 each. Accordingly, the redemption amount of HK\$103 million representing the 103 Preference Shares in issue was classified under current liabilities as amount due to a shareholder. As at March 31, 2005, such redemption amount still remained outstanding and payable.

The gearing ratio of the Group, defined as the total indebtedness over the total assets of the Group, was 128% as at March 31, 2005.

BUSINESS REVIEW

For the year ended March 31, 2005, the Group recorded a net profit of approximately HK\$40.52 million which was mainly attributed to an income recognised following a waiver of a debt due to a bank, details of which are explained in the paragraph hereinafter appearing. Gain from revaluation also contributed HK\$7 million to the Group’s profit as value of our investment properties and properties held for sale rebounded during the year.

Turnover of the Group comprises proceeds from sale of properties and rental income. Since the Group did not sell any of its properties during the year, no proceeds from sale of properties was taken in the year. Turnover, representing only rental income this year, dropped 90% from HK\$99.48 million last year to HK\$9.95 million this year.

During the year under review, an aggregate amount of approximately HK\$36 million was waived by a bank pursuant to a settlement agreement reached between the bank and a subsidiary of the Company whereby the bank agreed to, subject to fulfillment of certain conditions, deem the repayment obligation of the subsidiary to have been fully discharged and released. As the conditions of the agreement have been satisfied in full, the amount of HK\$36 million in aggregate due by the subsidiary to the bank was deemed to have been fully discharged and released and, accordingly, was accounted for as income to the Group during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

On January 28, 2005, the Company entered into an acquisition agreement with Sinochem Hong Kong (Group) Company Limited for the acquisition of the entire issued share capital of China Fertilizer (Holdings) Company Limited and its existing subsidiaries. The consideration for the acquisition of HK\$5,050 million was to be satisfied in full by the allotment and issue of 5,050 million new ordinary shares of the Company at the issue price of HK\$1.00 each. Completion of the acquisition was conditional upon the fulfilment of certain conditions. On July 27, 2005, as all the conditions have been satisfied in full, completion of the acquisition took place on the same date. Following completion of the acquisition, China Fertilizer (Holding) Company Limited, together with its subsidiaries as a whole, a leading vertically-integrated fertilizer enterprise in the PRC principally engaged in the sourcing, production and sales of fertilizer and other agricultural related products in the PRC, has become a wholly-owned subsidiary of the Company. For details of and transactions contemplated under the acquisition, please refer to note 37 to the financial statements and various previous announcements published by the Company and to the circular to shareholders dated June 13, 2005.

PROSPECTS

With the successful acquisition of the fertilizer business, the Company has become the flagship listed overseas vehicle of Sinochem Corporation, a Fortune Global 500 Company. The Company intends to fully capitalize on the role of Hong Kong as an international financial hub and the existing capital platform for bringing the fertilizer business to the international equity markets.

Going forward, the Group will focus its investments in upstream production facilities and the expansion of its distribution network. It aims to maintain its market position as a leading fertilizer supplier in the People's Republic of China (PRC), and strives to become the largest fertilizer producer in the PRC, the largest agricultural country in the world.

The involvement of the PRC government in the agricultural sector in recent years, together with a robust demand for quality fertilizer products, have created a positive operating environment for the fertilizer industry. By virtue of a vertically integrated business model comprised of upstream and downstream operations, a quality management team, sound financial fundamentals and strategic partnerships with internationally renowned enterprises, the Group is committed to realizing better growth opportunities and rewards for its shareholders.

By order of the Board

Liu Deshu

Chairman

Hong Kong, July 27, 2005