

FUTURE PLANS

Our long-term mission is to leverage our leading position in the nitrogenous fertilizer market to seek a leading position in China's mineral fertilizer market, while at the same time strengthening our position in China's chemical industry. Our ultimate objective is to create value for our shareholders. Our future plans principally include:

- Continue to solidify our market leadership position in China's nitrogenous fertilizer industry and develop other differentiated fertilizer products;
- Continue to improve our cost competitiveness; and
- Expand our operations in China's chemical market by diversifying our product range.

See "Our Business—Business strategies" for a detailed description of our Company's future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$2.2 billion, before exercise of the Over-allotment Option, after deducting the underwriting commissions and other estimated offering expenses payable by us and assuming an Offer Price of HK\$1.64 per H Share, being the mid-point of the indicative offer price range set forth on the cover page of this Prospectus. We intend to use these net proceeds for the following purposes:

- Approximately RMB1,400.0 million (equivalent to approximately HK\$1,368.1 million) is expected to be used to develop new products, primarily to finance the construction of a production facility for the manufacture of polyoxymethylene at Tianye Plant. The construction is scheduled to start in November 2006 and is expected to be completed by November 2008. Upon completion, the new production facility is planned to have a designed annual production capacity of 60,000 tonnes of polyoxymethylene. See "Our Business—Principal production facilities—Future facilities";
- Approximately RMB500.0 million (equivalent to approximately HK\$488.7 million) is expected to be used to partially repay Renminbi denominated short-term financing in relation to a long-term Japanese Yen bank loan totaling an amount equivalent to RMB1.07 billion as of 31 December 2005. The Japanese Yen loan was granted by Bank of China to our Company for the construction of Fudao Phase II and will expire on 20 December 2012 and has an interest rate of LIBOR plus 0.6%. In March 2006, in anticipation of the potential appreciation of the Japanese Yen, our Company obtained RMB500.0 million short-term financing denominated in Renminbi from CNOOC at an interest rate of 2.07% for partial repayment of the aforesaid Japanese Yen loan. In June 2006, our Company refinanced such RMB500 million short-term financing from CNOOC with external borrowing from Industrial and Commercial Bank of China and China Construction Bank expiring in December 2006 at an interest rate of 4.86%;
- Approximately RMB103.2 million is (equivalent to approximately HK\$100.9 million) expected to be applied to partially repay Renminbi denominated short-term financing in relation to long-term Japanese Yen bank loans in the amount equivalent to RMB1.45 billion as of 31 December 2005. Those Japanese Yen loans owing to the Export-Import Bank of China by Tianye Chemical are repayable annually to 2023 and bear interest rates

ranging from 2.5% to 2.6%. In February 2006, in anticipation of the potential appreciation of the Japanese Yen, our Company obtained RMB910.0 million short-term financing denominated in Renminbi from CNOOC at an interest rate of 2.07% for partial repayment of the Japanese Yen loans. In June 2006, our Company refinanced such RMB910.0 million short-term financing from CNOOC with external borrowing from Agricultural Bank of China expiring in December 2006 and Bank of China expiring in June 2007 at interest rates of 4.86% and 5.265%, respectively; and

- The remaining balance to be used as working capital.

In the event that the Over-allotment Option is exercised in full, we estimate that we will receive net proceeds from the offering of these additional Offer Shares of approximately HK\$332.4 million, after deducting the underwriting commissions and other estimated offering expenses payable by us and assuming the same mid-point offer price as stated above. We intend to use these net proceeds to repay our short term financing in relation to Japanese Yen loans borrowed by Tianye Chemical and for working capital purposes.

To the extent that the net proceeds of the Global Offering are not immediately applied to the above purposes, we intend to deposit the proceeds in interest-bearing bank accounts with licensed banks and/or authorized financial institutions in Hong Kong.

In the event that the Offer Price is set at the high-end of the proposed offer price range and the Over-allotment Option is not exercised at all, our Company will receive net proceeds of approximately HK\$2.5 billion. The additional net proceeds of about HK\$351.3 million will be used to further repay our short term financing in relation to the Japanese Yen loans borrowed by Tianye Chemical. In the event that the Offer Price is set at the high-end of the proposed Offer Price range and the Over-allotment Option is exercised in full, our Company will receive net proceeds of approximately HK\$2.9 billion and the additional net proceeds of about HK\$385.1 million arising from the exercise of the Over-allotment Option will be used to further repay our short term financing in relation to the Japanese Yen loans borrowed by Tianye Chemical, repay the Japanese Yen loan borrowed by our Company and to fund working capital.

In the event that the Offer Price is set at the low-end of the proposed offer price range and the Over-allotment Option is not exercised at all, we will receive net proceeds of approximately HK\$1.8 billion. Under such circumstances, the net proceeds allocated to debt repayment and working capital will be reduced. In the event that the Offer Price is set at the low-end of the proposed offer price range and the Over-allotment Option is exercised in full, our Company will receive net proceeds of approximately HK\$2.1 billion. The additional net proceeds of approximately HK\$279.7 million (when compared to the net proceeds for our Company with the Offer Price being determined at the low end of the stated range and without exercising Over-allotment Option) will be used to further repay our short term financing in relation to the Japanese Yen denominated bank loan borrowed by our Company.