

STRATEGIC INVESTMENT

Our Strategic Investor

Yara is one of the world's leading suppliers of plant nutrients in the form of mineral fertilizers, an essential ingredient in modern agriculture. With sales to more than 120 countries, Yara is one of the most global players in the fertilizer industry. The core business of Yara is the production and marketing of nitrogen fertilizers such as urea and nitrates. Yara also produces and sells ammonia, the key raw material for all nitrogen fertilizers.

The Strategic Placing

Yara has offered to subscribe for, and we have agreed to issue to Yara such number of H Shares as is equivalent to 10% of the aggregate number of H Shares issued in connection with the Global Offering (including, for the avoidance of doubt and if applicable, any additional H Shares to be issued in connection with the Over-allotment Option) at the Offer Price (together with related brokerage, Hong Kong Stock Exchange trading fee and SFC transaction levy). Our Company, Yara and the Joint Global Coordinators entered into a strategic investment agreement on 18 August 2006 (the "Strategic Investment Agreement") with respect to such subscription as part of the International Offering. Assuming that the Over-allotment Option is not exercised, the total number of H Shares that Yara would subscribe for would be 140,000,000 which is approximately 3.18% of all Shares outstanding upon the completion of the Global Offering. If the Over-allotment Option is exercised in full, the total number of H Shares that Yara would subscribe for would be 161,000,000 which is approximately 3.49% of all Shares outstanding upon the completion of the Global Offering.

The offer of H Shares to Yara under the Strategic Investment Agreement will be underwritten by certain International Purchasers and will not be affected by any re-allocation of Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering.

Yara may nominate a wholly-owned subsidiary to take up the H Shares under the Strategic Investment Agreement. Yara has nominated Yara Nederland BV (a wholly-owned subsidiary of Yara) for such purpose.

Conditions

Yara's obligation to acquire the H Shares under the Strategic Investment Agreement is conditional upon (a) the Underwriting Agreements being entered into and having become unconditional by no later than the time and date as specified in those agreements, (b) none of the Underwriting Agreements having been terminated, and (c) the Listing Committee of the Hong Kong Stock Exchange having granted the listing of, and permission to deal in, the H Shares. If such conditions have not been fulfilled on or before 31 October 2006 (or such other date as may be agreed among our Company, Yara and the Joint Global Coordinators), the obligation of Yara to acquire the H Shares shall cease.

Areas of Strategic Cooperation

Yara and we wish to explore the opportunities for developing a close partnership between our respective fertilizer, industrial chemical and related businesses in the PRC and for developing the same to a leading market position in the PRC. To this end, Yara and we contemplate future cooperation in the

following areas, including: (i) the joint development of fertilizer, industrial chemical and related businesses in the PRC, (ii) seeking opportunities to develop a close partnership in fertilizer, industrial chemical and related businesses in the PRC, and (iii) exploring the establishment of joint ventures, partnerships or other joint business ventures for such purposes as the production and distribution of compound NPK (nitrogen, phosphate and potassium) fertilizers and specialty fertilizers utilizing Yara's technology, agronomic research and development, environmental and other industrial and chemical applications for our products and production platforms.

Undertakings by our Strategic Investor and our Company

Yara (for itself and on behalf of its wholly-owned subsidiary) has agreed that, without the prior written consent of our Company and the Joint Global Coordinators, it will not whether directly or indirectly, at any time during the period of thirty-six months following the Listing Date dispose of or announce any intention to dispose of any of the H Shares subscribed for pursuant to the Strategic Investment Agreement or any direct or indirect interest in any company or entity holding any of such H Shares save that:

- (a) Yara or its wholly-owned subsidiary (as the case may be) may freely transfer or otherwise dispose of such number of H Shares that constitute up to 50% of the H Shares subscribed for pursuant to the Strategic Investment Agreement ("Tranche 1 Shares") without the consent of our Company and the Joint Global Coordinators at any time and from time to time after the date falling eighteen months from the Listing Date; and
- (b) the remainder of the H Shares subscribed for pursuant to the Strategic Investment Agreement (not being the Tranche 1 Shares) may be freely transferred or otherwise disposed by Yara or its wholly-owned subsidiary (as the case may be) without the consent of our Company and the Joint Global Coordinators at any time and from time to time after the date falling thirty-six months from the Listing Date.

The above restrictions shall not apply to the subscription of such H Shares by Yara's nominated wholly-owned subsidiary under the Strategic Investment Agreement or transfers to any of Yara's wholly-owned subsidiaries and on the basis that the transferee will be subject to the restrictions on disposals imposed on Yara itself pursuant to the Strategic Investment Agreement.

Yara has also agreed:

- (i) to use its reasonable endeavors to ensure that any disposal of the H Shares pursuant to paragraphs (a) or (b) above does not create a disorderly or false market in the H Shares; and
- (ii) that, save with our prior written consent, the aggregate holding (direct and indirect) of Yara and its Associates in the total issued share capital of our Company shall be less than 10% of our entire issued share capital at any time.

Our Company has agreed to consider issuing additional H Shares to Yara to prevent any dilution of its shareholding in the event of any subsequent offering of H Shares or any issue of H Shares in connection with any proposal for the acquisition of other fertilizer, industrial chemical and related businesses in the PRC undertaken by us.

STRATEGIC INVESTMENT AND CORPORATE PLACING

Our Company has undertaken that for a period of eighteen months from the Listing Date, our Company shall use its reasonable endeavors to procure that CNOOC, the majority shareholder of our Company, shall not vote in favor of the appointment of any nominee of any entity, whose principal business is the production and sale of fertilizers and industrial chemicals, to the board of directors of our Company without the prior written consent of Yara.

Termination of the Strategic Investment Agreement

In the event that Yara and/or its wholly-owned subsidiary transfer or otherwise dispose of such number of H Shares such that Yara and/or its relevant wholly-owned subsidiary cease to hold in aggregate at least 1.5% of the then total issued share capital of our Company, the Strategic Investment Agreement will terminate.

CORPORATE PLACING

We have, as part of the International Offering, entered into corporate placing agreements with the Corporate Investors for the placing to them under the International Offering at the Offer Price (together with related brokerage, Hong Kong Stock Exchange trading fee and SFC transaction levy) of H Shares in the amounts set out in the following table:

Corporate Investor	Amount of investment (Notes 1, 2)	Number of H Shares to be placed to the Corporate Investor assuming an Offer Price of HK\$1.64 per H Share (Note 3)	Approximate percentage of the total number of Offer Shares if (a) the Over-allotment Option is not exercised and (b) the Over-allotment Option is fully exercised	Approximate percentage of all Shares in issue immediately following the Global Offering if (a) the Over-allotment Option is not exercised and (b) the Over-allotment Option is fully exercised
Bestlane Limited ("Bestlane")	U.S.\$25,000,000 (approximately HK\$195,000,000)	118,902,439	(a) 8.49% (b) 7.39%	(a) 2.70% (b) 2.58%
Sunny Smart Limited ("Sunny Smart")	U.S.\$25,000,000 (approximately HK\$195,000,000)	118,902,439	(a) 8.49% (b) 7.39%	(a) 2.70% (b) 2.58%
Bank of China Group Investment Ltd. ("BOCGI")	U.S.\$20,000,000 (approximately HK\$156,000,000)	95,121,951	(a) 6.79% (b) 5.91%	(a) 2.16% (b) 2.06%
Bitronic Limited ("Bitronic")	HK\$100,000,000	60,975,609	(a) 4.36% (b) 3.79%	(a) 1.39% (b) 1.32%
Total	Approximately HK\$646,000,000	393,902,438	(a) 28.14% (b) 24.47%	(a) 8.95% (b) 8.54%

- (1) For the purpose of the above table, the exchange rate of U.S. dollars to Hong Kong dollars is assumed to be 1 to 7.80. However, the actual applicable exchange rate shall be such rate which will be set out in the final offering circular for the International Offering.
- (2) Investment amounts exclude brokerage of 1%, SFC transaction levy of 0.005% and Hong Kong Stock Exchange trading fee of 0.005% of the Offer Price which is payable by the Corporate Investors in respect of the Offer Shares.
- (3) The price of HK\$1.64 per H Share is the mid-point of the indicative offer range set forth on the cover page of this Prospectus.

The offer of H Shares to the Corporate Investors under the corporate placing agreements will be underwritten by certain International Purchasers and will not be affected by any re-allocation of Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering.

Corporate Investors

Bestlane is a company incorporated in the British Virgin Islands and is indirectly wholly-owned by Shau Kee Financial Enterprises Limited, which is in turn wholly-owned by Lee Financial (Cayman) Limited of which Dr. Lee Shau Kee is a substantial shareholder.

Sunny Smart is an indirectly wholly-owned subsidiary of Chinese Estates Holdings Limited (“CEHL”). CEHL is a company incorporated in Bermuda with securities listed on the Hong Kong Stock Exchange and is principally engaged in property investment, development and management in Hong Kong, Macau and Mainland China. CEHL is the controlling shareholder of Chi Cheung Investment Company Limited and G-Prop (Holdings) Limited, both of which are companies with securities listed on the Hong Kong Stock Exchange.

BOCGI is a wholly-owned subsidiary of Bank of China Limited. BOCGI is a professional investment firm with funds and assets of over HK\$10 billion which focuses on late stage equity investments throughout the Greater China Region in a variety of industries, including energy, natural resources and telecommunications.

Bitronic is a company incorporated in the British Virgin Islands and is a wholly-owned subsidiary of Well Kent International Investment Company Limited (“Well Kent”). Well Kent is a company incorporated in Hong Kong and is wholly-owned by China Cinda Asset Management Corporation. The principal activities of Well Kent are asset management and capital market investment.

Conditions

The Corporate Investors’ obligations to acquire H Shares under the relevant corporate placing agreements are conditional upon (a) the Underwriting Agreements being entered into and having become unconditional by no later than the time and date as specified in those agreements, (b) none of the Underwriting Agreements having been terminated, and (c) the Listing Committee of the Hong Kong Stock Exchange having granted the listing of, and permission to deal in, the H Shares.

Undertakings

Each of the Corporate Investors has agreed that, without the prior written consent of our Company and the Joint Global Coordinators, it will not, whether directly or indirectly, at any time during the period of nine months following the Listing Date (the “Lockup Period”) dispose of or announce any intention to dispose of any of the H Shares subscribed for pursuant to the relevant corporate placing agreement or any direct or indirect interest in any company or entity holding any of such H Shares save that:

- (a) that Corporate Investor or its wholly-owned subsidiary or a company controlled by it (as the case may be) may freely transfer or otherwise dispose of such number of H Shares that constitute up to 50% of the H Shares subscribed for pursuant to the relevant corporate

placing agreement without the consent of our Company and the Joint Global Coordinators at any time and from time to time after the date falling six months from the Listing Date; and

- (b) the remainder of the H Shares subscribed for pursuant to the relevant corporate placing agreement (not being the Shares referred to in paragraph (a) above) may be freely transferred or otherwise disposed of by that Corporate Investor or its wholly-owned subsidiary or a company controlled by it (as the case may be) without the consent of our Company and the Joint Global Coordinators at any time and from time to time after the date falling nine months from the Listing Date.

The above restrictions shall not apply to transfers to any of its wholly-owned subsidiaries or controlled companies (as the case may be) provided that the transferee will be subject to the restrictions on disposals imposed on the Corporate Investor itself pursuant to the relevant corporate placing agreement.

- (c) Each of the Corporate Investors has also agreed:
 - (i) to use its reasonable endeavors to ensure that any disposal of the H Shares pursuant to paragraphs (a) or (b) above does not create a disorderly or false market in the H Shares; and
 - (ii) that, save with our prior written consent, the aggregate holding of itself and its Associates in the total issued share capital of our Company shall be less than 10% of our entire issued share capital (aa) at any time in respect of the investments by Bestlane, BOCGI and Bitronic and (bb) at any time during the Lockup Period in respect of the investment by Sunny Smart.

Each of Shau Kee Financial Enterprises Limited (in respect of Bestlane's investment), CEHL (in respect of Sunny Smart's investment) and Well Kent (in respect of Bitronic's investment) has given undertakings similar to those set out above to our Company and the Joint Global Coordinators.