



Chairman Wu Mengfei

CHAIRMAN'S STATEMENT

Dear Shareholders,

2006 was a remarkable year for China BlueChem. The Company issued H shares and was listed on the HKEX on 29 September 2006, being the first large-scale nitrogenous fertilizer producer in China to advent to international capital market. The initial public offering ("IPO") has landed the Company on an international financing platform and opened a new era of development for us.

Apart from the listing, due to the dedicated efforts of the management team and our staff, we achieved excellent operating results for 2006. Our revenue amounted to RMB3,465.8 million, an increase of 46.2% when compared with the previous year. Net profit attributable to equity holders of the parent amounted to RMB1,645.8 million, an increase of 74.4%, indicating a strong growth momentum.

In the past year, the Company gradually set up a corporate governance framework, including laying down operational standards for shareholders' general meeting, the Board of Directors ("the Board") and the supervisory committee as well as the senior management. After the listing, the Company has strictly complied with all regulatory requirements by running standard and transparent operations. We also improved internal control and risk management systems to help us achieve their effective operations. China BlueChem also set up an investor relations team to directly communicate with investors and to ensure the Company live up to its disclosure obligation.

We believe it was the support of our shareholders and the society that had contributed to our outstanding results for the year. Thus, on behalf of the Board, I express my sincere gratitude to all circles who trusted and supported us. My sincere appreciations also go to our staff, the management, the Directors and supervisors for their dedication in the past year. With your backing, I believe we will continue to achieve excellent results in the future.

We are full of confidence for the prospect of the company and the industry. The Central Rural Working Conference held at the end of 2006 and the PRC government's "No. 1 Document" released in 2007 both emphasized the importance of the "Three Agricultural Issues" to the country's economic and social development, by way of the support and the nurture from the industry sector to the agricultural industry, which helps establish an effective mechanism to increase farmer's income and promote the development of rural areas in all aspects. As guided by the authority, large-scale fertilizer producers like us are to assume a leading role during the process of fertilizer industry consolidation. We will capitalize on the opportunity to take a scientific approach for sustainable development. Through both organic expansion and acquisition, we will build ourselves into the flagship in China's fertilizer market, together with integrated solution incorporating technology management, innovative sales and service model.

I believe that, in a few years, China BlueChem will evolve into the largest and most modern mineral fertilizer producer

with sweeping scale in China. The Company will be capable to make significant contribution to the agricultural development of the country and become the most cost-effective resources conversion enterprise in the related chemical products industry, which will create more value and deliver sustainable high returns to our shareholders.



Chairman