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## FUTURE PLANS

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Our goal is to become the most profitable coal-based urea and compound fertiliser corporation in the PRC. Our business strategies are as follows:

- **Self-development and expansion of our production capacity**

Our Production Plant III has operated on a trial basis since April 2009. We expect that it will commence its full operations by the end of 2009. The estimated aggregate annual production capacity in respect of urea, compound fertiliser and methanol would reach approximately 1.25 million tons, 600,000 tons and 200,000 tons respectively by the end of 2009. In the future, we would concentrate on the development of our urea and compound fertiliser products through improving the effectiveness and efficiency of our production plants as well as expansion of our production capacities. In addition, as cost is the differentiating factor of the competitions among fertiliser producers, we would continue our efforts to further lower our production cost as well as our total cost.

We will continue to strive to reduce our production cost by using the new cost-saving technology available in the market, such as using coal powder to produce gas when all other collaborative factors are matured. Meanwhile, we would continue to apply resources in our research and development for technology advancement which are beneficial to our production and to maintain our leading position in the chemical fertiliser industry.

- **Developing our business through vertical business integration**

We will consider to invest in appropriate raw material suppliers, such as coal mines or mining companies, in order to ensure the stable and consistent supply of raw materials at competitive costs for our production. As coal is the principal raw material for our fertiliser production, our potential targets would be coal mines or mining companies which are in proximity to our production hub. As at the Latest Practicable Date, we had not identified any specific acquisition target in respect of our vertical business integration and investment. If, after Listing, we identify any specific coal mines or mining companies, we will make investment in such targets (which may or may not be controlled by us) with an aim to maintain stable supply of raw materials instead of operating the mining businesses by ourselves.

- **Expanding our business through horizontal integration**

We will maintain a strategic relationship with the PRC leading fertiliser enterprises and look for other appropriate business partners in the chemical fertiliser industry. In addition, according to the “Notice Regarding Reform of Fertiliser’s Pricing Policies” (關於改革化肥價格形成機制的通知) jointly announced by the NDRC and the Ministry of Finance PRC, the guided price of chemical fertilisers was removed by the PRC government with effect from 25 January 2009. As a result, we may have more opportunities to acquire other chemical fertiliser producers in order to increase our production capacity and market shares through consolidation of the industry. As at the Latest Practicable Date, we had not identified any specific target in respect of our horizontal business integration.

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- **Expanding the business of compound fertiliser**

Fertiliser occupies an important role in the continuous development of the PRC's agricultural production. Generally, the demand for China's fertiliser, particularly compound fertiliser, has been growing at an extraordinary rate over the past decade, driven largely by population expansion and strong economic growth of the PRC. According to the CNCIC Report, the total production capacity of the PRC's compound fertiliser has grown along with the PRC's agricultural output, which increased from approximately 24.6 million tons in 2003 to approximately 47.0 million tons in 2008.

Our Directors are of the view that as the growth of domestic consumption of compound fertiliser has remained stable in recent years and the forecasted demand of compound fertiliser would have a steady growth, the sales of compound fertiliser by our Group will continue to increase steadily. Furthermore, although its profitability is lower than the one of urea, we can directly use our urea to produce compound fertiliser which could save our transportation costs and hence production costs. As a result, our Directors will make strong efforts in enhancing the branding of our compound fertilisers. In addition, we believe that product quality is the foundation of a brand. In this regard, we will ensure the quality of our compound fertilisers, as well as our other fertiliser products, are of high quality. This would increase our profits and enlarge our market shares by obtaining a wider customer base.

- **Improvement of internal management**

We believe that our employees have been an important element of our success. In the future, we would continue to provide on-the-job and external training to our employees in relation to management, recent technology updates, occupational safety etc. to ensure our employees are competent in performing their respective duties and to enhance their competitiveness. Regarding our research and development centre, which is also known as "agrochemical service centre", we would recruit more experts and professionals of soil chemistry, agronomy, plant protection and horticulture fields to enhance the competitiveness of our research and development team. We would also adopt a more efficient and effective internal control system to ensure our production processes would comply with the relevant internal and external rules and regulations.