



STRATEGY



Chairman's Statement

Dear shareholders,

I am pleased to present to you the annual report for the year ended 31 December 2005 of the Company for your review. This is the first annual report of the Company subsequent to its successful acquisition of the Fertilizer Group in July 2005.

Our mission is “Basing ourselves in China to deploy fertilizer resources from the global markets to serve the needs of China’s food security and agricultural production”. China is the world’s largest and fastest growing fertilizer consumption market. In 2005, the Group continued to implement the strategy of “focusing on distribution services and integrating production, supply and sales for synergic development” and achieve sustainable, stable and rapid growth. The Group strived to improve management and operations and vigorously engage in market expansion. As a result, the market competitiveness and operating results of the Group’s principal businesses have kept edging forward. In 2005 the Company achieved sales volume of 11.17 million tonnes, turnover of HK\$19,200 million and net profit of HK\$779 million. Earnings per share was 14.49 HK cents. This is the fourth consecutive year that the Group’s fertilizer business attained rapid growth since 2002.

Upon completion of the acquisition, the Company formed a highly independent, diversified and yet specialized board of directors that can represent the interests of the shareholders and in particular the interests of the minority shareholders, further improving the structure of corporate governance. Internal control policies and business procedures were streamlined and amended in compliance with international practices, bringing into place a more complete internal control system. Meanwhile, a professional team specialising in investor relations was set up to improve communications with investors.

We firmly believe that it is the responsibility of the Group to constantly create value and deliver returns to the shareholders. On the basis of the outstanding performance achieved in 2005 and the Group’s financial position, cash flow position and long-term sustainable growth, the Board of Directors proposed a final dividend of 2.01 HK cents per share for the year ended 31 December 2005.

Since the completion of the acquisition, the Company has won the interest and tremendous support from both existing and new shareholders and built a solid foundation for achieving stable, sustainable and fast growth. PotashCorp, the strategic investor of the Company and the world’s largest potash producer, exercised 10.01% of its share options on 27 January 2006, the first day of the exercise period, increased its shareholding in the Company to 20%, becoming the second largest shareholder of the Company and demonstrated its firm confidence in the Company’s future prospects. We strongly believe that the Group will continue to scale new heights with the unswerving support of all the shareholders and investors.

Chairman's Statement

Currently the Chinese agriculture industry has entered into a new phase of development. The State is setting up a long-term scheme that will promote agriculture subsidies from industrial sector, urban areas supporting the rural areas and improvements in farmers' income. Meanwhile, the fertilizer industry will continue to enjoy preferential policies, and large-scale enterprises are supported by the State to play a dominant role in industry restructuring. Capitalising on such opportunities, the Group will adhere to the strategy of focusing on distribution services and integrating production, supply and sales to realise synergy effect. Top priorities will be given to the development of international strategic alliances, resources acquisitions, domestic fertilizer business and the construction of distribution network. The market share and profitability of the Group will be continuously boosted so as to deliver higher and sustainable returns to the shareholders.

On behalf of the Board of Directors, I would also like to take this opportunity to extend our heartfelt appreciations to the supportive shareholders and customers. I would also extend our gratitude to the management and employees of the Group for their support and highly effective performance.

Liu De Shu
Chairman

Hong Kong, 10 April 2006