This summary aims to give you an overview of the information contained in this Prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this Prospectus in its entirety before you decide to invest in the H Shares.

There are risks associated with any investment. Some of the particular risks in investing in the H Shares are set out in "Risk Factors". You should read that section carefully before you decide to invest in the H Shares.

OVERVIEW

We are one of the largest and most efficient nitrogenous fertilizer producers in terms of production volume and energy consumption, respectively, in China based on statistics published by the CNFA, and China is the largest mineral fertilizer consuming country in the world according to the IFA. The core of our operations is the production and sale of urea, the most commonly used nitrogenous fertilizer in China. As one of the major subsidiaries of CNOOC, the third largest petroleum company in China, and a sister company of CNOOC Limited, one of the world's largest oil and gas exploration and production companies in terms of reserves, we are well-positioned to further enhance our fertilizer operations through organic expansion. We also seek to benefit from potential industry consolidation in China, which we expect will provide us with the opportunity to accelerate our production capacity and market expansion through selective acquisitions. In line with such strategy, we acquired Tianye Chemical, a large-scale producer of urea and methanol based in Huhhot, Inner Mongolia.

As of the Latest Practicable Date and as a result of the Acquisition, our total designed production capacity of urea was 1,840,000 tonnes per annum from three production facilities: (i) Fudao Phase I, a large-scale urea production facility in China, with a designed annual production capacity of 520,000 tonnes; (ii) Fudao Phase II, currently the largest single urea production facility in China in terms of designed production capacity, with a designed annual production capacity of 800,000 tonnes; and (iii) Tianye Plant, another large-scale urea production facility, with a designed annual production capacity of 520,000 tonnes. Fudao Phase I and Fudao Phase II are located in Hainan, whereas Tianye Plant is located in Inner Mongolia. Each of our principal production plants is equipped with facilities that utilize advanced technologies. Our extensive sales network, through our own sales force and through wholesalers, extends across 20 provinces in China.

While continuing to focus on fertilizer operations, we are also expanding into the production of high value-added synthetic chemical products. In addition to urea, we produce methanol as our other main product. Through CNOOC Jiantao, we have constructed a large-scale methanol plant and are constructing ancillary transportation facilities within our production complex in Hainan. Trial production commenced in September 2006. Upon the commencement of mass production, expected in January 2007, CNOOC Jiantao Methanol Plant will add 600,000 tonnes of designed annual production capacity to our existing 200,000 tonnes of designed annual methanol production capacity at Tianye Plant.

All of our principal production facilities, including CNOOC Jiantao Methanol Plant, use natural gas as the principal raw material for their production of urea and methanol. Natural gas is considered to be more environmentally friendly compared to other natural resources, such as coal and oil, as combustion of natural gas releases fewer harmful pollutants into the atmosphere. Our production complex in Hainan is conveniently and strategically located in an area close to abundant sources of natural gas supplied from offshore gasfields operated by CNOOC Limited. We have entered into long-term natural gas sale and purchase agreements on a take-or-pay basis to provide our production complex in Hainan with stable and reliable supplies of natural gas, our key raw material.

In 2005, on an actual basis, we had a total revenue of RMB2,371.0 million and a net profit of RMB943.8 million. In the three months ended 31 March 2006, on an actual basis including Tianye Chemical, we had a total revenue of RMB697.7 million and a net profit of RMB746.9 million (including a one-off gain of RMB577.6 million generated from the Acquisition). In the year ended 31 December 2005, Tianye Chemical had a total revenue of RMB745.4 million and a net profit of RMB173.0 million.

CNOOC, the dominant developer of offshore oil and gas resources in China, has the exclusive right under current PRC regulations to enter into production sharing contracts with international oil and gas companies for crude oil and gas exploration and production offshore China. CNOOC has now expanded to midstream and downstream petroleum businesses. We are one of the major downstream businesses of CNOOC, concentrating on natural gas-based fertilizers and chemicals. We benefit from and leverage our position as the sole subsidiary of CNOOC engaged in the fertilizer business in terms of new resources discovery, synergy, business culture and governance, as well as brand recognition and corporate image.

THE ACQUISITION OF TIANYE CHEMICAL

We own a 90% equity interest in Tianye Chemical as a result of the Acquisition. Tianye Chemical is a large-scale nitrogenous fertilizer and chemical producer in China and its production facilities, or Tianye Plant, are equipped with advanced technologies. Tianye Plant is situated in Inner Mongolia, where abundant natural gas and coal resources are located. As of the Latest Practicable Date, Tianye Chemical's designed annual production capacity for urea was 520,000 tonnes. Tianye Chemical also owns a new methanol facility with a designed production capacity of 200,000 tonnes of methanol per annum which commenced trial production in December 2005 and commenced mass production in April 2006.

By means of the Acquisition, we have been able to significantly increase our production scale, broaden our customer base and immediately capture new markets in northern and northeastern China at a cost substantially below that of building a new plant of equivalent scale. We also anticipate that this expansion of our geographical coverage from the southern to the northern regions of China will reinforce our position as a leader in China's nitrogenous fertilizer market.

Tianye Chemical's operating results for the Track Record Period were not consolidated with ours on a historical basis but were consolidated with ours from 19 January 2006 when we obtained control of Tianye Chemical. As a result, our operating results for the three months ended 31 March 2006, which consolidated Tianye Chemical's operating results, are not comparable to the same period in the previous year.

For our and Tianye Chemical's designed production capacity, facilities utilization rates, production volume and sales volume during the Track Record Period, see "—Selected historical operating data".

COMPETITIVE STRENGTHS

We believe that the following principal competitive strengths contribute to our historical success and future prospects:

Well-positioned to benefit from the growth of the fertilizer market in China

According to the IFA, China was the largest fertilizer consuming country in the world in 2003, with approximately 26.5% of world consumption, and was estimated by the IFA in November 2005 to remain the largest consuming country in the world in both 2004 and 2005. We expect that the steady growth of China's population and economy will lead to increasing demand for agricultural products. We believe that China's urbanization and industrialization will result in a continued decline in available arable farm land, thus making it essential for China to raise its agricultural products yield to ensure adequate food supply. We also believe that, at the same time, economic reform in China will lead to a growth in consumer demand for cash crops such as vegetables and fruits, which generally require the application of higher volumes of fertilizers than traditional farm crops. As a result of these factors, we anticipate that the demand for and the usage of mineral fertilizers in China will increase. As one of the largest and most efficient nitrogenous fertilizer producers in China in terms of production volume and energy consumption, respectively, we are well-positioned to benefit from the growth of the Chinese fertilizer market.

Convenient and cost efficient location of our main production complex

Our production complex in Hainan is conveniently and strategically situated in close proximity to its major natural gas supplies, enabling us to save on the transportation costs of natural gas and reduce transportation risks for our production facilities in Hainan. In particular, the coastal location of our production complex in Hainan within a short distance from major roadways and the national railway system and close to our Port of Basuo provides us with cost competitive access to markets within coastal China and in Southeast Asia, Australia and New Zealand. While the demand and price of fertilizers are seasonal in nature, the location of our Hainan facilities at the southern end of China allows us to sell our fertilizer products during the different planting seasons of the northern and southern hemispheres, and our ability to market our fertilizer products all year round and during different planting seasons also helps to mitigate the impact of seasonality on our operating results.

Secure and stable supplies of environmentally friendly and cost competitive raw materials

The three principal raw materials used to produce urea are coal, oil and natural gas. Natural gas is the principal raw material used in our production of urea and methanol. Based on statistics published by the CNFA, natural gas-based production tends to be more efficient in terms of energy consumption and competitive in terms of unit production cost than production processes which use other raw materials, such as coal and oil, for the production of urea, particularly during periods of high oil prices such as the past two years. Through our long-term natural gas sale and purchase agreements, we are able to source stable and reliable natural gas supplies on a take-or-pay basis for our Hainan production facilities from gasfields owned and operated by CNOOC Limited. Under the terms of these natural gas sale and purchase agreements, the price at which natural gas is supplied to our production facilities in Hainan is subject to upward or downward adjustments on a quarterly or monthly basis with the frequency of such adjustments and specific adjustment formulae varying between agreements, and by reference to the average price of four major types of crude oil in the international markets during the preceding quarter or month as compared to the historical moving average of the four crude oil prices in the preceding years, subject to caps and floors as agreed upon in the agreements. Such pricing mechanism can help us to minimize the impact of natural gas price volatility in the global market on our natural gas costs, and we believe that the terms of our natural gas sale and purchase agreements will enable us to compete favorably against our competitors. We also seek to benefit from any new gas discoveries by CNOOC Limited in future expansions of our production capacity and consequent requirements for additional oil or gas supplies.

Advanced technology producing high quality products

We utilize advanced technology at each of our production complexes in Hainan and Inner Mongolia. The technology we utilize reduces energy consumption rates and ensures high product quality. We also utilize our anti-agglomerate chemical technology for our production at Fudao Phase I and Fudao Phase II, where we use our formaldehyde to produce a solution which we blend into our granular urea products to improve their durability and to prevent clumping of the granules. This technology also enables our granular urea products to dissolve at slower rates than traditional urea prills and thus offers more cost-effective application. Consequently, our high quality urea products marketed under our well-established and widely recognized trademarks have won a number of awards from various PRC Government agencies and trade associations, which we believe have enabled us to sell our products at higher prices.

An experienced and capable management team committed to leading us in accordance with international best practice and corporate governance standards

Our management team has an average industry experience of over 10 years. We believe that its members possess the leadership, vision and in-depth industry knowledge required to anticipate and take advantage of market opportunities, to formulate sound business strategies, and to execute the strategies in an effective manner to maximize the benefit to our shareholders. Through its extensive experience with CNOOC, our senior management is widely exposed to and committed to leading our business in accordance with international management philosophy, best practice and corporate governance standards. We believe that our senior management has been able to achieve cost-efficient organic and acquisitive growth of our business as well as effective integration of management and operations. For example, leveraging on our operating and management experience at Fudao Phase I, the construction of Fudao Phase II was completed two months prior to the scheduled completion date, resulting in a significant budget saving, and received the highest level of awards in China due to its excellent construction quality.

One of the few companies well-positioned to benefit from industry consolidation in China

China's fertilizer industry is at present highly fragmented. We believe that, because economies of scale are an important source of efficiency and competitiveness in the fertilizer industry, the industry will experience more consolidation in the long term. As one of the largest and most efficient nitrogenous fertilizer producers in China in terms of production volume and energy consumption, respectively, and with strong management and technical expertise, we believe we are well-positioned to benefit from potential consolidation of the fertilizer industry through organic and acquisitive growth in China, with the objectives of creating value for our shareholders, improving our financial performance and strengthening our market presence. Moreover, China has committed to gradually relax its current restrictions over the domestic fertilizer market, including import quotas and foreign investment restrictions, as part of its WTO obligations, allowing a more market-driven business environment to develop. As a large-scale and efficient nitrogenous fertilizer producer in China, we believe we will be well-positioned to meet the demand of such a market-driven business environment.

BUSINESS STRATEGIES

Our long-term goal 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. To fulfill our mission and achieve our objective, we will focus on the following strategic initiatives:

Continue to solidify our market leadership position in China's nitrogenous fertilizer industry and develop other differentiated fertilizer products

We are one of the largest producers of urea products in China. We plan to further expand our overall production capacity and operations through our two-pronged strategy of organic and acquisitive growth, with the aim of benefiting from synergies and from economies of scale.

While leveraging our position as the sole subsidiary of CNOOC engaged in the fertilizer business, we will continue to expand our scale of operations organically and to evaluate potential strategic acquisition opportunities with the aim of further strengthening our market presence. Pursuant to this strategy, we acquired Tianye Chemical, increasing our total designed annual production capacity of urea by 520,000 tonnes. In response to China's agricultural development and trend towards more balanced application of fertilizers, we have also entered into a research agreement with a leading agricultural science institute in the PRC and intend to establish strategic relationships with global fertilizer producers to develop, produce and market new, higher margin fertilizer products such as compound NPK fertilizers. In addition, we plan to provide value-added services such as soil testing and fertilizer prescription. As a market leader in China's nitrogenous fertilizer market, we believe that we have the resources and execution capability to actively explore and exploit value-enhancing opportunities, as well as to expand our range of fertilizer products.

Maintain our cost competitiveness

We aim to maintain our cost competitiveness by attaining higher production yield, optimizing maintenance schedules, enhancing our technology, improving our budget management and procuring steady supplies of raw materials. We are in the process of implementing ERP in Hainan, to provide us with up-to-date information and enable us to optimize our allocation of resources in terms of financial planning and operational management.

Because we believe that securing access to natural resources at a competitive cost is essential to enhancing our competitiveness, we intend in our future expansion projects to focus on locations with ready and cost competitive supplies of raw materials with a view to gaining direct access to secure and stable supplies of natural resources.

Expand our operations in China's chemical market through capacity expansion and product extension

While focusing on our fertilizer operations, we plan to continue to seek opportunities to develop high-margin synthetic chemical products through the construction of new production complexes, acquisitions, or investments in chemical producers in China. As of the Latest Practicable

Date, we had not identified any specific targets for acquisition or investment. The Acquisition of Tianye Chemical added methanol production facilities to our asset portfolio. Through CNOOC Jiantao, we have constructed a large-scale methanol plant within our production complex in Hainan. Trial production commenced in September 2006. Upon the commencement of mass production, expected in January 2007, the new methanol plant will increase our total designed annual production capacity of methanol to 800,000 tonnes. We also plan to construct a further methanol production facility with a designed annual production capacity of 1.13 million tonnes of methanol, subject to obtaining relevant approvals and permits. In addition, we plan to begin construction of a production facility for the manufacture of polyoxymethylene in November 2006 at Tianye Plant, and we expect to complete construction by November 2008. The new production facility will have a designed annual production capacity of 60,000 tonnes of polyoxymethylene. In February 2006, we commenced the operation of a new CO_2 plant in Hainan to produce and supply food-class carbon dioxide using gaseous emissions from Fudao Phase II as the raw material. As of the Latest Practicable Date, the plant was in trial operation.

Attract, retain and develop highly-talented personnel

We believe that our employees have been an important element of our success. We intend to further enhance our existing clear and decisive management procedures through: (i) a highly transparent performance assessment system aiming to identify and recognize our most outstanding personnel; (ii) appropriate delegation of responsibility to management and clear criteria for granting duties and responsibilities and measuring achievements; (iii) performance-based employee compensation and incentives; and (iv) implementing a training system that enables members of our management and our employees to enhance their professional skills through on-the-job training as well as external training.

Consistently create value for shareholders

Under the leadership of our experienced management team, we intend to continue to maximize shareholder value by maintaining our current principal operations, selectively expanding our operations where we believe we can achieve high financial return, aligning our management's interests with those of our shareholders, maintaining prudent financial management that may enable us to protect our business from any market volatility, and maintaining an advantageous capital structure.

SELECTED HISTORICAL OPERATING DATA

The following table sets forth selected operating data relating to our and Tianye Chemical's operations for the Track Record Period:

	As of 31 December			As of 31 March
	2003	2004	2005	2006
	Tonnes	Tonnes	Tonnes	Tonnes
Designed annual production capacity of urea on a 300-day basis				
Our Company	520,000	1,320,000	1,320,000	1,840,000(1)
Tianye Chemical	520,000	520,000	520,000	520,000(1)

	Year ended 31 December			Three months ended 31 March	
	2003	2004	2005	2005	2006
	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes
Actual production volume of urea					
Our Company	602,373	1,412,939	1,361,013	294,774	433,358(2)
Tianye Chemical	570,228	583,650	491,322	152,209	159,664(2)

	As of 31 December			As of 31 March 2006
	2003	2004	2005	
	%	%	%	%
Facility utilization rate(3)				
Our Company				
Fudao Phase I	115.8	119.0	103.1	93.9
Fudao Phase II	—(4)	99.3	103.1	75.8
Tianye Plant	109.7	112.2	94.5	122.8

	Year ended 31 December			Three months ended 31 March	
	2003	2004	2005	2005	2006
	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes
Sales volume of urea					
Our Company	572,276	1,379,906	1,364,607	318,000	455,572(5)
Tianye Chemical	543,015	664,509	489,239	150,262	177,383(5)

(1) As of 31 March 2006, the designed annual production capacity of urea of our Company included Tianye Chemical's designed annual production capacity of 520,000 tonnes of urea.

(2) In the three months ended 31 March 2006, actual production volume of urea of our Company included 159,664 tonnes of traditional prill urea produced by Tianye Chemical, although Tianye Chemical's sales were only consolidated into our accounts from 19 January 2006.

(3) Equal to the percentage of actual production volume over designed annual production capacity. According to the industry norm in China for the urea industry, the designed annual production capacity is measured as designed daily production capacity multiplied by 300 days per year.

(4) Fudao Phase II was in a trial production period in 2003.

(5) In the three months ended 31 March 2006, sales volume of our Company included 177,383 tonnes of traditional prill urea sold by Tianye Chemical, although Tianye Chemical's sales were only consolidated into our accounts from 19 January 2006.

SUMMARY FINANCIAL INFORMATION

Summary Historical Financial Information for Our Company

The following tables present a summary of our historical consolidated financial information for the periods indicated. The summary consolidated income statements and cash flow information for the years ended 31 December 2003, 2004 and 2005 and the three months ended 31 March 2005 and 2006 and the summary consolidated balance sheet information as of 31 December 2003, 2004, 2005 and 31 March 2006 are derived from, and should be read in conjunction with, our audited consolidated financial information as included in the Accountants' Report in Appendix IA to this Prospectus. Our operating results for the three months ended 31 March 2006, which consolidated Tianye Chemical's operating results for the period from 19 January to 31 March 2006, are not comparable with our operating results for the three months ended 31 March 2005 due to the Acquisition in 2006.

Consolidated Income Statement

	Year ended 31 December			Three months ended 31 March	
	2003	2004	2005	2005	2006
Summary consolidated income statement data of our Company	RMB	RMB	RMB	RMB	RMB
	(in millions, except for percentages)				
	(audited)			(unaudited)	(audited)
Revenue	738.2	2,027.3	2,371.0	505.6	697.7
Cost of sales	(476.5)	(1,095.0)	(1,293.1)	(296.0)	(449.1)
Gross profit	261.7	932.3	1,077.9	209.6	248.6
Other income and gains	79.4	40.7	1.7	0.9	7.1
Excess over the cost of a business combination	—	—	—	—	577.6
Selling and distribution costs	(19.0)	(31.1)	(15.4)	(1.9)	(3.6)
Administrative expenses	(56.5)	(76.6)	(130.7)	(17.4)	(42.3)
Other expenses	(23.8)	(28.8)	(103.1)	(37.0)	(0.8)
Finance revenue	3.8	11.8	24.4	3.6	7.0
Finance costs	(7.7)	(15.0)	(15.5)	(4.1)	(10.7)
Exchange gain/(loss), net	(56.1)	(40.0)	189.5	41.9	(6.2)
Share of profits of associates	0.9	1.6	1.9	0.4	0.5
Profit before tax	182.7	794.9	1,030.7	196.0	777.2
Income tax expense	(17.2)	(26.9)	(47.5)	(3.2)	(17.7)
Profit for the year/period	165.5	768.0	983.2	192.8	759.5
Profit for the year/period attributable to equity holders of the parent	137.2	720.5	943.8	189.6	746.9
Basic earnings per share attributable to ordinary equity holders of the parent (RMB cents)	4.57	24.02	31.46	6.32	24.90

Consolidated Balance Sheet

Summary consolidated balance sheet data of our Company	As of 31 December 2003 RMB	2004 RMB	2005 RMB	As of 31 March 2006 RMB
		(in millions) (audited)		
ASSETS				
Non-current assets	3,075.1	3,109.3	3,617.5	6,494.8
Current assets	1,058.5	1,734.7	2,535.5	2,218.2
Total assets	4,133.6	4,844.0	6,153.0	8,713.0
EQUITY AND LIABILITIES				
Total equity	2,148.6	2,884.3	4,077.6	3,759.5
Non-current liabilities	1,422.9	1,312.7	1,052.8	655.0
Current liabilities	562.1	647.0	1,022.6	4,298.5
Total equity and liabilities	4,133.6	4,844.0	6,153.0	8,713.0

Other Selected Consolidated Financial Information

The following table sets forth other selected consolidated financial information of our Company for the years ended 31 December 2003, 2004 and 2005 and the three months ended 31 March 2005 and 2006:

Other selected consolidated financial information of our Company	Year ended 31 December 2003	2004	2005	Three months ended 31 March 2005	2006
	(RMB in millions, except for percentages)				
Capital expenditures	1,294.5	292.3	461.8	20.1	340.4
Net cash inflow from operating activities	185.4	1,074.6	917.1	215.8	535.0
Net cash outflow from investing activities	(987.9)	(626.2)	(361.4)	(510.5)	(1,316.5)
Net cash inflow/(outflow) from financing activities	627.5	(27.1)	52.2	15.8	419.6
Gross profit margin	35.5%	46.0%	45.5%	41.5%	35.6%
Net profit margin	18.6%	35.5%	39.8%	37.5%	107.1%
EBITDA(1)	320.2	1,060.9	1,166.5	251.4	312.7
EBITDA(1) margin	43.4%	52.3%	49.2%	49.7%	44.8%
Basic earnings per share attributable to ordinary equity holders of the parent(2) (RMB cents)	4.57	24.02	31.46	6.32	24.90

(1) EBITDA is not a standard measure under IFRS. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net profit or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for interest income, income tax expense, interest expense, the excess over the cost of a business combination for the three months ended 31 March 2006 or other non-operating cash expenses such as depreciation, amortization, gains and losses from foreign exchange and change in fair value of derivative financial instruments. In evaluating EBITDA, we believe that investors should consider, among other things, turnover and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges.

(2) Details on the calculation of the basic earnings per share attributable to ordinary equity holders of the parent are set out in the Accountants' Report in Appendix IA to this Prospectus.

Summary of Certain Reviewed Financial Information for the Six Months Ended 30 June 2005 and 2006

Our interim financial results for the six months ended 30 June 2005 and the six months ended 30 June 2006 are unaudited but have been reviewed by our auditors, Ernst & Young, Certified Public Accountants, Hong Kong in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants. The independent review report on such financial results is included in the Hong Kong Prospectus as Appendix IC. Our Audit Committee has reviewed such interim financial report and has also reviewed together with the management the accounting principles, practices adopted by us and discussed our internal control and financial reporting matters. We believe the interim financial report includes all adjustments, consisting of normally recurring accruals, necessary for a fair presentation of the results for the relevant periods. However, we consolidated the operating results of Tianye Chemical from 19 January 2006 to 30 June 2006. As a result, our operating results for the six months ended 30 June 2006 are not comparable to the six months ended 30 June 2005. In addition, prospective investors who read the information should bear in mind that the operating results for the six months ended 30 June 2006 are not necessarily indicative of results to be expected for the full year.

As all relevant information relating to our interim results for the six months ended 30 June 2006 is set out in the Hong Kong Prospectus, we will not separately issue a preliminary announcement of our interim results or an interim report for the same period.

Consolidated Income Statement

The following table sets forth, for the periods indicated, information relating to certain income and expense items and percentages from our condensed consolidated income statements for the six months ended 30 June 2005 and 2006:

	Six months ended 30 June			
	2005		2006	
	RMB	%	RMB	%
	(in millions, except for percentages) (Unaudited)			
Revenue	1,132.3	100.0	1,613.8	100.0
Cost of sales	(623.0)	(55.0)	(993.0)	(61.5)
Gross profit	509.3	45.0	620.8	38.5
Other income and gains	1.1	0.1	118.3	7.3
Excess over the cost of a business combination	—	—	577.6	35.8
Selling and distribution costs	(4.6)	(0.4)	(10.1)	(0.6)
Administrative expenses	(47.9)	(4.2)	(92.0)	(5.7)
Other expenses	(58.7)	(5.2)	(22.6)	(1.4)
Finance revenue	8.4	0.7	11.8	0.7
Finance costs	(8.3)	(0.7)	(27.9)	(1.7)
Exchange gain/(loss), net	79.0	7.0	(12.5)	(0.8)
Share of profits of associates	1.0	0.1	1.1	0.1
Profit before tax	479.3	42.4	1,164.5	72.2
Income tax expense	(22.2)	(2.0)	(56.0)	(3.5)
Profit for the period	457.1	40.4	1,108.5	68.7
Profit for the period attributable to equity holders of the parent	437.0	38.6	1,084.8	67.2
Basic earnings per share attributable to ordinary equity holders of the parent (RMB cents)	14.57		36.16	

Summary Historical Financial Information for Tianye Chemical

The following tables present a summary of Tianye Chemical's historical consolidated financial information for the periods indicated. The summary income statements and cash flow information for the years ended 31 December 2003, 2004 and 2005 and the summary balance sheet information as of 31 December 2003, 2004 and 2005 are derived from, and should be read in conjunction with, the audited consolidated financial information of Tianye Chemical as included in the Accountants' Report in Appendix IB to this Prospectus.

The results of Tianye Chemical for the three months ended 31 March 2006 have been consolidated with those of our Company from 19 January 2006 and relevant disclosure has been included in note (e) of Section 8 of the Accountants' Report in Appendix IA to this Prospectus. The results of Tianye Chemical for the three months ended 31 March 2006 are therefore not presented separately.

Consolidated Income Statement

	Year ended 31 December		
	2003	2004	2005
Summary consolidated income statement data of Tianye Chemical	RMB	RMB (in millions) (audited)	RMB
Revenue	595.1	844.4	745.4
Cost of sales	(630.9)	(748.6)	(681.6)
Gross profit/(loss)	(35.8)	95.8	63.8
Other income and gains	2.5	19.8	19.5
Selling and distribution costs	(2.1)	(4.9)	(5.1)
Administrative expenses	(58.1)	(61.8)	(66.5)
Other expenses	(41.1)	(64.0)	(16.6)
Finance revenue	3.5	3.0	6.0
Finance costs	(60.9)	(69.2)	(64.7)
Exchange gain/(loss), net	(193.4)	(47.8)	236.6
Profit/(loss) before tax	(385.4)	(129.1)	173.0
Income tax credit/(expense)	18.1	(31.8)	—
Profit/(loss) for the year	(367.3)	(160.9)	173.0

Consolidated Balance Sheet

	As of 31 December		
	2003	2004	2005
Summary consolidated balance sheet data of Tianye Chemical	RMB	RMB (in millions) (audited)	RMB
ASSETS			
Non-current assets	2,118.7	2,051.7	2,441.0
Current assets	642.3	665.1	299.8
Total assets	2,761.0	2,716.8	2,740.8
EQUITY AND LIABILITIES			
Total equity	558.4	397.3	570.3
Non-current liabilities	1,576.8	1,546.5	1,287.6
Current liabilities	625.8	773.0	882.9
Total equity and liabilities	2,761.0	2,716.8	2,740.8

Other Selected Consolidated Financial Information

Other selected consolidated financial information of Tianye Chemical	Year ended 31 December 2003 RMB	2004 RMB	2005 RMB
	(in millions, except for percentages)		
Capital expenditures	14.0	204.9	586.4
Net cash inflow from operating activities	53.1	447.4	262.3
Net cash outflow from investing activities	(10.5)	(644.6)	(258.7)
Net cash outflow from financing activities	(2.6)	(2.3)	(53.0)
Gross profit margin	—(1)	11.3%	8.6%
Net profit margin	—(2)	—(3)	23.2%
EBITDA(4)	75.9	170.0	179.7
EBITDA(4) margin	12.8%	20.1%	24.1%

(1) Tianye Chemical recorded a gross loss of RMB35.8 million for 2003.

(2) Tianye Chemical recorded a net loss of RMB367.4 million for 2003.

(3) Tianye Chemical recorded a net loss of RMB161.1 million for 2004.

(4) EBITDA is not a standard measure under IFRS. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net profit or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for interest income, income tax expense, interest expense, depreciation, amortization and gains and losses from foreign exchange. In evaluating EBITDA, we believe that investors should consider, among other things, turnover and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges.

PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2006

The following sets forth certain profit forecast data for the year ending 31 December 2006. See "Appendix III—Profit Forecast".

Forecast net profit attributable to the shareholders of our Company(1)	not less than RMB1,460.5 million
Forecast earnings per Share on a fully diluted basis(2)(3)	not less than RMB33.19 cents (about HK$32.43 cents)

(1) The bases on which the above profit forecast has been prepared are summarized in Appendix III. The forecast net profit attributable to the shareholders of our Company for the year ending 31 December 2006 includes the excess over the cost of a business combination in connection with the acquisition of Tianye Chemical of RMB577.6 million.

(2) The calculation of the forecast earnings per Share on a fully diluted basis is based on the forecast net profit attributable to the shareholders of our Company for the year ending 31 December 2006 and assuming that our Company had been listed on the Hong Kong Stock Exchange since 1 January 2006 and a total of 4,400,000,000 Shares were in issue during the entire year. The calculation assumes that the Over-allotment Option will not be exercised.

(3) Forecast earnings per Share is converted into Hong Kong dollars at the PBOC Rate of HK$1.00 to RMB1.02334 prevailing on 31 August 2006.

GLOBAL OFFERING

The Global Offering by us consists of:

- the offer by us of initially 140,000,000 H Shares, or Hong Kong Public Offer Shares, for subscription by the public in Hong Kong, referred to in this Prospectus as the Hong Kong Public Offering; and
- the offer by us of initially 1,260,000,000 H Shares, or International Offer Shares, in the international offering, referred to in this Prospectus as the International Offering, consisting of the offering of our H Shares (i) in the United States to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act, or another exemption from the registration requirement under the U.S. Securities Act, and (ii) outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act. At any time from the date we sign the International Purchase Agreement until 30 days after the last day for the lodging of applications in the Hong Kong Public Offering, the International Purchasers have an option, exercisable by the Joint Global Coordinators on behalf of the International Purchasers, to require us to issue an additional 210,000,000 H Shares, representing 15% of the initial size of the Global Offering, at the Offer Price, to, among other things, cover over-allotments in the International Offering.

The number of Hong Kong Public Offer Shares and International Offer Shares, or together, H Shares, is subject to adjustment and reallocation as described in the section headed "Structure of the Global Offering".

OFFER STATISTICS

	Based on an Offer Price of HK$1.38 per H Share	Based on an Offer Price of HK$1.90 per H Share
Market capitalization of our Shares[(1)]	HK$6,072 million	HK$8,360 million
Prospective price/earnings multiple		
(a) pro forma fully diluted[(2)]	7.0 times	9.7 times
(b) weighted average[(3)]	5.4 times	7.4 times
Unaudited pro forma adjusted consolidated net tangible asset value per Share[(4)]	HK$1.156	HK$1.315

(1) All statistics in this table are based on the assumption that the Over-allotment Option is not exercised. The calculation of market capitalization is based on 4,400,000,000 Shares expected to be in issue following the Global Offering.

(2) The calculation of the prospective price/earnings multiple on a pro forma fully diluted basis is based on the forecast earnings per Share for the year ending 31 December 2006 (excluding the excess over the cost of a business combination in connection with the acquisition of Tianye Chemical of RMB577.6 million), on a pro forma fully diluted basis at the respective Offer Prices of HK$1.38 and HK$1.90.

(3) The calculation of the prospective price/earnings multiple on a weighted average basis is based on the forecast earnings per Share for the year ending 31 December 2006 (excluding the excess over the cost of a business combination in connection with the acquisition of Tianye Chemical of RMB577.6 million), on a weighted average basis assuming our Company is listed on 29 September 2006, at the respective Offer Prices of HK$1.38 and HK$1.90.

(4) The unaudited pro forma adjusted consolidated net tangible asset value per Share is calculated after making the adjustments referred to in Appendix II and based on 4,400,000,000 Shares expected to be in issue following the Global Offering. The calculation of the unaudited pro forma adjusted net tangible assets per Share did not take into account the declaration of the Pre-establishment Distribution and the estimated Pre-IPO Profit after the balance sheet date of 31 March 2006 but immediately preceding the Listing Date, which, after payment will decrease the unaudited pro forma adjusted net tangible assets per Share.

If the Over-allotment Option is exercised in full, the unaudited pro forma adjusted consolidated net tangible asset value per Share will be approximately HK$1.164 per Share (based on an Offer Price of HK$1.38) or approximately HK$1.339 per Share (based on an Offer Price of HK$1.90), while the earnings per Share on a pro forma fully diluted basis and on a weighted average basis will be diluted to approximately HK$0.19 and HK$0.25, respectively.

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$488.6 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 six-month LIBOR plus 0.6% per annum. In March 2006, in anticipation of the potential appreciation of 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 RMB500.0 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 (equivalent to approximately HK$100.9 million) is 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 until 2023 and bear interest rates ranging from 2.5% to 2.6% per annum. In February 2006, in anticipation of the potential appreciation of 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 and Bank of China expiring in December 2006 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 the Japanese Yen loans borrowed by Tianye Chemical and for working capital purposes.

Pending the use of the net proceeds of the Global Offering for the purposes described above, we intend to place the net proceeds, to the extent permitted by relevant laws and regulations, into interest-bearing bank accounts with licensed banks and/or authorized financial institutions.

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 approximately 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, to repay Japanese Yen loan borrowed by Fudao Phase II and for working capital purposes.

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, our Company 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 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 loans borrowed by our Company.

DIVIDEND POLICY

After completion of the Global Offering, our shareholders will be entitled to receive dividends declared by us. The payment and the amount of any dividends will be at the discretion of our Board and will depend upon our general business condition and strategies, cash flows, financial results and capital requirements, interests of our shareholders, taxation conditions, statutory and regulatory restrictions and other factors that our Board deems relevant. Any dividend distribution shall also be subject to approval of our shareholders. Under the PRC Company Law and our Articles of Association, all of our shareholders have equal rights to dividends and distributions. For holders of our H Shares, cash dividend payments, if any, will be declared by our Board in Renminbi and paid in Hong Kong dollars. We intend to distribute 20% to 30% of our net profit for the periods subsequent to the Global Offering.

In addition, on 6 March 2006, we declared, as a commercial decision, a special dividend of approximately RMB1,210.8 million to CNOOC, which is equal to our distributable profit as of 31 December 2005 (the "2005 Special Dividend") as determined in accordance with PRC GAAP.

CNOOC is the only shareholder entitled to such dividend because it was the sole shareholder of CNOOC Chemical, our predecessor, as of 31 December 2005. The 2005 Special Dividend will be paid from our cash and cash equivalents generated from our operating activities and, if necessary, bank borrowings. The payment of the 2005 Special Dividend to CNOOC will be made prior to the Listing Date.

In accordance with the "Provisional Regulations Relating to Corporate Reorganization of Enterprises and Related Management of State-owned Capital and Financial Treatment," issued by the MOF (the "Provisional Regulations"), we are required to make a distribution (the "Pre-establishment Distribution") to CNOOC in the amount equal to the net profit attributable to shareholders generated by CNOOC Chemical during the period from 1 January 2006 to 24 April 2006, the date immediately prior to the date on which CNOOC Chemical was restructured to be our Company as a joint stock limited company (the "Relevant Profit Period"). The Provisional Regulations do not specify any requirement as to the method and timing of the Pre-establishment Distribution. Our income statement for the period from 1 January 2006 to 30 April 2006 was prepared under PRC GAAP and was reviewed by our auditors. The amount of the Pre-establishment Distribution required under the Provisional Regulations to be made to CNOOC was agreed among the Promoters with reference to such reviewed income statement to be RMB264.5 million and the payment will be made to CNOOC before the Listing Date from our cash and cash equivalents generated from our operating activities and, if necessary, bank borrowings secured before the Listing Date. Further, our Promoters agreed that we shall distribute to each of Zhejiang AMP, Guangdong AMP, Shanghai AMP and Transammonia an amount equal to the net profit of CNOOC Fudao attributable to shareholders generated by each shareholder's respective share in the equity interest of CNOOC Fudao contributed to our Company during the Relevant Profit Period. CNOOC Fudao's income statement for the period from 1 January 2006 to 30 April 2006 was prepared under PRC GAAP and was reviewed by our auditors. The aggregate amount of distributions to Zhejiang AMP, Guangdong AMP, Shanghai AMP and Transammonia was agreed with us by reference to such reviewed income statement to be RMB11.6 million and the payments will be made to the four Promoters before the Listing Date from our cash and cash equivalents generated from our operating activities and, if necessary, bank borrowings secured before the Listing Date. For further details, see "Appendix IC—Unaudited Interim Financial Report of Our Company".

On 11 September 2006, to finance our payments of the 2005 Special Dividend and the Pre-establishment Distribution, we borrowed RMB540.0 million short-term bank loans as described in "Financial Information—Management's discussion and analysis of financial condition and results of operations of our Company—Indebtedness".

It was considered by our Promoters that our profits generated from the date of our Company's establishment until the listing were largely the outcome of their investments in our Company from the financial perspective. On 25 April 2006, our five Promoters unanimously resolved, as a commercial decision based on the above-mentioned rationale, that they will be entitled to, in the same proportion as their respective shareholdings in us, all of the undistributed profit of our Company generated during the period from 25 April 2006, the date on which our Company was established and restructured to be a joint stock limited company, to the last day of the month immediately preceding the Listing Date (the "Pre-IPO Profit"). Assuming the Listing Date is in September 2006, we estimate that the Pre-IPO Profit will be approximately RMB312.0 million, calculated as 129 (being the number of days from 25 April 2006 to 31 August 2006)/365 of our forecast net profit for the year ending 31 December 2006, excluding the excess over the cost of a business combination of RMB577.6 million. The Pre-IPO Profit will be determined in accordance with PRC GAAP. We will make a public announcement when the amount of the Pre-IPO Profit has been ascertained. The payment of the Pre-IPO Profit to our five Promoters will be made after the Listing Date using our cash and cash equivalents generated from our operating activities and, if necessary, bank borrowings.

None of the 2005 Special Dividend, the Pre-establishment Distribution or the Pre-IPO Profit is indicative of the dividends that our Company may declare or pay in the future. Holders of H Shares are not entitled to share in the 2005 Special Dividend, the Pre-establishment Distribution or the Pre-IPO Profit. Any distributable profits available for distribution to our shareholders after the Global Offering will exclude the respective amounts of the 2005 Special Dividend, the Pre-establishment Distribution and the Pre-IPO Profit.

Further information of our dividend policy is set out in the section headed "Financial Information—Dividend Policy".

RISK FACTORS

We believe that there are certain risks involved in our operations; many of these risks are beyond our control. These risks can be categorized as: (i) risks relating to our business operations; (ii) risks relating to the fertilizer and chemical industries in China; (iii) risks relating to the PRC; and (iv) risks relating to the Global Offering.

Risks Relating to Our Business Operations

- Our operating results may be significantly affected by changes in the supply of natural gas as a critical raw material.
- The price of natural gas as our critical raw material is subject to fluctuation.
- We purchase natural gas, our principal raw material, from a limited number of sources.
- A substantial amount of our revenues is derived from the sale of a limited number of main products to a limited number of customers.
- Methanol and the fertilizer components and products that we manufacture, process, store, handle, distribute and transport are very volatile and may be harmful if handled or disposed of improperly. Natural gas, our primary raw material, is also highly combustible. Accidents involving these substances, which are often subject to high pressures and temperatures during the production process, could cause severe damage or injury to property, the environment and human health.
- We face competition from other nitrogenous fertilizer and chemical producers and sellers. Our business and prospects may be adversely affected if we are not able to compete effectively.
- We may have difficulty in managing our future growth and the associated increased scale of our operations.
- We engage and will continue to engage in connected transactions.
- We will be controlled by CNOOC, our Controlling Shareholder, whose interests may differ from those of our other shareholders.
- Our operations could be adversely affected by the departure of any of our senior management members.

- Our business and operations require significant and continuous capital investment. The failure to raise sufficient capital in a timely manner may adversely affect our business and results of operations.
- Our operations are subject to operating hazards and natural disasters that may not be fully covered by our insurance policies.
- We do not carry product liability insurance for the use of our products or business interruption insurance.
- We may not be able to implement our business strategies on schedule or within budget or at all.
- There is no assurance that members of our Company will continue to benefit from preferential tax treatment.
- Any material dispute between our Company and a joint venture partner may adversely affect the results of operations of the relevant joint venture company and our Company and if unresolved, could potentially lead to a termination of that joint venture company.
- Our acquisition agreements may not provide us with sufficient protection against liability for undiscovered acts of non-compliance arising from our prior acquisitions or future acquisitions.
- Our dividend distributions to our existing shareholders made prior to the completion of the Global Offering should not be treated as indicative of our Company's future dividend policy. These dividend distributions before the listing may adversely impact the total value of our assets and your investment.
- The actual amount of the Pre-IPO Profit to be distributed to CNOOC and other Promoters could be greater than the estimated amount disclosed in this Prospectus.
- We incurred net current liabilities as of 31 March 2006.
- We are exposed to the fluctuations in fair value adjustments on financial derivative instruments.

Risks Relating to the Fertilizer and Chemical Industries in China

- The cyclical nature of our business will expose us to potentially significant fluctuations in our financial condition.
- We face significant challenges and changes in government policies, including changes to VAT policies, adjustments of export custom duties and accession to the WTO, which could affect the operation environment of our industry and thus our financial performance.
- Our results of operations are subject to seasonality and could be negatively impacted by adverse weather conditions and seasonality.
- The prices of fertilizer products in China are subject to State-imposed price controls, which limit our flexibility to raise or set prices and pass along cost increases.

Risks Relating to the PRC

- Adverse changes in China's economic, political, and social conditions as well as government policies could have a material adverse effect on China's overall economic growth, which could in turn adversely affect our financial condition and results of operations.

- Changes in foreign exchange regulations and future movements in the exchange rate of Renminbi may adversely affect the financial condition and results of operations of our Company and our ability to pay dividends.
- The PRC legal system is continuously evolving and has inherent uncertainties and the legal protections available to our shareholders may be limited.
- It may be difficult to enforce any judgments obtained from non-PRC courts against our Company or our Directors, Supervisors or executive officers residing in China.
- The exemption from withholding tax on dividends and income available to holders of H Shares may not continue in the future.
- The Chinese economy may experience inflationary pressure, which may lead to an increase in interest rates and a slowdown in economic growth.
- Electricity shortages in China may lead to reduced economic growth.
- Any recurrence of severe acute respiratory syndrome, or SARS, pandemic avian influenza or another widespread public health problem could adversely affect our business and results of operations.

Risks Relating to the Global Offering

- There has been no prior public market for the H Shares. The liquidity and market price of the H Shares following the Global Offering may be volatile.
- Because the Offer Price is higher than the net tangible book value per Share, the holders of the H Shares will incur immediate dilution.
- Disposal of H Shares by NSSF following the listing of the H Shares may result in an increase in the number of H Shares available on the market and may affect the price of the H Shares.
- Potential conversion of Domestic Shares or Unlisted Foreign Shares into H Shares may result in an increase in the number of H Shares available in the market and may affect the price of the H Shares.
- Shareholders' interests may be diluted as a result of additional equity fund-raising.
- We cannot guarantee the accuracy of facts, forecasts and other statistics with respect to China, the Chinese economy and China's mineral fertilizer industry and petrochemical industry contained in this Prospectus.