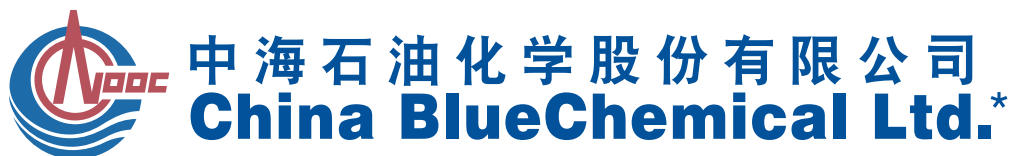


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*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock code: 3983)**

**INTERIM RESULTS ANNOUNCEMENT FOR  
THE SIX MONTHS ENDED 30 JUNE 2009  
AND REMUNERATION OF DIRECTORS AND  
SUPERVISORS OF THE SECOND SESSION**

**FINANCIAL HIGHLIGHTS**

1. Revenue amounted to RMB2,828.1 million
2. Gross profit amounted to RMB859.6 million
3. Net profit attributable to equity holders of the parent amounted to RMB527.0 million
4. Basic earnings per share was RMB11.43 fen

**(I) UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**INTERIM CONSOLIDATED INCOME STATEMENT**

*For the six months ended 30 June 2009*

*(All amounts expressed in thousands of Renminbi, except for per share data)*

	Notes	2009	Six months ended 30 June	
			2008 As previously reported	2008 Restated  <i>(Note 3)</i>
			<b>Unaudited</b>	
<b>Revenue</b>	5	<b>2,828,139</b>	2,832,660	3,635,701
Cost of sales		<b>(1,968,564)</b>	(1,519,584)	(2,133,482)
<b>Gross profit</b>		<b>859,575</b>	1,313,076	1,502,219
Other income and gains	5	<b>50,331</b>	35,181	42,770
Selling and distribution costs		<b>(58,917)</b>	(40,080)	(53,697)
Administrative expenses		<b>(158,110)</b>	(120,187)	(164,242)
Other expenses		<b>(7,112)</b>	(3,645)	(4,527)
Finance income		<b>17,447</b>	13,496	13,948
Finance costs		<b>(14,593)</b>	(4,660)	(10,080)
Net foreign exchange differences		<b>(2,542)</b>	14,360	14,201
Share of profits of associates		<b>443</b>	2,785	2,785
<b>Profit before tax</b>	6	<b>686,522</b>	1,210,326	1,343,377
Income tax expense	7	<b>(103,414)</b>	(115,567)	(149,956)
<b>Profit for the period</b>		<b>583,108</b>	1,094,759	1,193,421
Attributable to:				
Equity holders of the parent		<b>527,022</b>	966,178	1,050,507
Minority interests		<b>56,086</b>	128,581	142,914
		<b>583,108</b>	1,094,759	1,193,421
Earnings per share attributable to ordinary equity holders of the parent				
— Basic ( <i>RMB fen</i> )	8	<b>11.43</b>	20.96	22.79

## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

(All amounts expressed in thousands of Renminbi)

	2009	Six months ended 30 June	
		2008 As previously reported	2008 Restated
			(Note 3)
		<b>Unaudited</b>	
<b>Profit for the period</b>	<b>583,108</b>		<b>1,193,421</b>
Net gain on available-for-sale investments	—		22,932
Income tax	—		(4,970)
			17,962
<b>Other comprehensive income for the period, net of tax</b>	<b>—</b>		<b>17,962</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>583,108</b>		<b>1,211,383</b>
Attributable to:			
Equity holders of the parent	527,022		1,067,645
Minority interests	56,086		143,738
	<b>583,108</b>		<b>1,211,383</b>

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2009

(All amounts expressed in thousands of Renminbi)

	<i>Notes</i>	<b>30 June 2009 Unaudited</b>	31 December 2008 Audited As previously reported	31 December 2008 Audited Restated
				<i>(Note 3)</i>
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment		7,081,154	6,202,554	7,052,332
Prepaid land lease payments		422,710	395,388	422,262
Intangible assets		119,253	15,294	119,156
Investments in associates		13,281	12,839	12,839
Available-for-sale investments		600	600	600
Deferred tax assets		<u>102,366</u>	<u>42,101</u>	<u>89,686</u>
		<u>7,739,364</u>	<u>6,668,776</u>	<u>7,696,875</u>
<b>Current assets</b>				
Inventories		792,332	526,759	836,244
Trade receivables	9	119,772	48,305	59,431
Bills receivable		55,674	30,351	60,685
Prepayments, deposits and other receivables		348,752	233,854	277,297
Available-for-sale investments		401,933	—	—
Pledged bank deposits		1,346,445	14,246	14,246
Cash and cash equivalents		<u>2,277,229</u>	<u>4,177,279</u>	<u>4,246,295</u>
		<u>5,342,137</u>	<u>5,030,794</u>	<u>5,494,198</u>
<b>Total assets</b>		<u><u>13,081,501</u></u>	<u><u>11,699,570</u></u>	<u><u>13,191,073</u></u>

# INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2009

(All amounts expressed in thousands of Renminbi)

	Notes	<b>30 June 2009 Unaudited</b>	31 December 2008 Audited As previously reported	31 December 2008 Audited Restated  (Note 3)
<b>Equity and liabilities</b>				
<b>Equity attributable to equity holders of the parent</b>				
Paid-up capital		4,610,000	4,610,000	4,610,000
Reserves		4,603,639	4,377,276	5,235,385
Proposed dividend	10	—	437,950	437,950
		<b>9,213,639</b>	9,425,226	10,283,335
<b>Minority interests</b>		<b>1,063,228</b>	901,595	1,049,737
<b>Total equity</b>		<b>10,276,867</b>	10,326,821	11,333,072
<b>Non-current liabilities</b>				
Benefits liability		63,252	66,413	66,413
Interest-bearing bank and other borrowings		—	212,009	212,009
Other long-term liabilities		113,665	55,029	112,740
Deferred tax liabilities		81,932	76,564	82,258
		<b>258,849</b>	410,015	473,420
<b>Current liabilities</b>				
Trade payables	11	181,288	107,709	131,597
Bills payable		1,335,000	—	—
Other payables and accruals		981,335	757,576	1,084,329
Interest-bearing bank and other borrowings		—	77,775	147,775
Income tax payable		48,162	19,674	20,880
		<b>2,545,785</b>	962,734	1,384,581
<b>Total liabilities</b>		<b>2,804,634</b>	1,372,749	1,858,001
<b>Total equity and liabilities</b>		<b>13,081,501</b>	11,699,570	13,191,073

## (II) SELECTED NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. CORPORATE INFORMATION

China BlueChemical Ltd. (the “Company”) was established in the People’s Republic of China (the “PRC”) on 3 July 2000 as a limited liability company under the name of CNOOC Chemical Limited. The Company’s name was changed to China BlueChemical Ltd. on 25 April 2006. The registered office of the Company is located at No. 1 Zhu Jiang South Street, Dongfang City, Hainan Province, PRC.

In September and October 2006, the Company issued an aggregate of 1,610,000,000 new H Shares at a price of HKD1.90 per share to the public and the H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company and its subsidiaries (“the Group”) are principally engaged in the manufacture and sale of fertilisers and methanol.

In the opinion of the directors, the ultimate holding company of the Company is China National Offshore Oil Corporation (“CNOOC”), a state-owned enterprise established in the PRC.

As at 30 June 2009, particulars of the subsidiaries, associates, and a jointly-controlled entity are as follows:

Name	Place and date of establishment	Registered capital RMB'000	Percentage of equity interest attributable to the Company		Principal activities
<b><u>Subsidiaries:</u></b>					
CNOOC Fudao Limited	PRC 31 December 2001	463,000	Direct	100.00	Manufacture and sale of fertiliser
			Indirect	—	
CNOOC Kingboard Chemical Limited (“CNOOC Jiantao”)	PRC 31 October 2003	500,000	Direct	60.00	Manufacture and sale of methanol
			Indirect	—	
Hainan CNOOC Plastic Company Limited	PRC 28 April 2002	12,716	Direct	100.00	Manufacture and sale of woven plastic bags
			Indirect	—	
Hainan CNOOC Transportation Co., Ltd.	PRC 22 October 2001	6,250	Direct	—	Provision of transportation services
			Indirect	67.26	
CNOOC (Hainan) E&P Gas Limited	PRC 8 November 2004	6,900	Direct	100.00	Manufacture and sale of liquid carbon dioxide
			Indirect	—	
Hainan CNOOC Complex Fertiliser Co., Ltd.	PRC 19 May 2000	7,500	Direct	100.00	Manufacture and sale of compound fertiliser
			Indirect	—	
CNOOC Jincheng Coal Chemical Industry Co., Ltd.	PRC 26 November 2007	800,000	Direct	75.00	Manufacture and sale of fertiliser
			Indirect	—	

## 1. CORPORATE INFORMATION (CONTINUED)

Name	Place and date of establishment	Registered capital RMB'000	Percentage of equity interest attributable to the Company		Principal activities
<b><u>Subsidiaries (Continued):</u></b>					
Hainan Basuo Port Limited	PRC 25 April 2005	514,034	Direct Indirect	73.11 —	Port operation
Shanghai Qionghua Trading Co., Ltd.	PRC 7 January 2002	27,000	Direct Indirect	— 90.93	Trading of fertiliser
CNOOC Tianye Chemical Limited (“CNOOC Tianye”)	PRC 18 December 2000	1,780,000	Direct Indirect	90.00 —	Manufacture and sale of fertiliser and methanol
Inner Mongolia Hong Feng Packaging Co., Ltd.	PRC 9 December 1999	3,297	Direct Indirect	— 63.54	Manufacture and sale of woven plastic bags
China BlueChemical Yichang Mining Ltd.	PRC 7 August 2008	50,000	Direct Indirect	51.00 —	Exploration of phosphate mine, mining, mineral processing and sales of phosphate ore
China BlueChemical Baotou Coal Chemical Industry Co., Ltd.	PRC 11 September 2008	100,000	Direct Indirect	100.00 —	Sale and development of fertilisers and chemical products
China Basuo Ocean Shipping Tally Co., Ltd.	PRC 9 May 2008	300	Direct Indirect	— 61.41	Provision of overseas shipping services
Hubei Dayukou Chemical Co., Ltd.	PRC 12 August 2005	1,000,624	Direct Indirect	83.17 —	Phosphate mining and processing, sale and production of MAP and DAP fertilisers
ZHJ Mining Co., Ltd.	PRC 31 July 2006	50,000	Direct Indirect	100.00 —	Exploitation and sale of phosphate ore and phosphate concentrate

## 1. CORPORATE INFORMATION (CONTINUED)

Name	Place and date of establishment	Registered capital RMB'000	Percentage of equity interest attributable to the Company		Principal activities
<b><u>Associates:</u></b>					
Guangxi Fudao Agricultural Means of Production Limited	PRC 11 January 2003	20,000	Direct Indirect	— 30.00	Trading of fertiliser
China Basuo Oversea Shipping Agency Co., Ltd.	PRC 24 May 2000	1,800	Direct Indirect	— 36.56	Provision of overseas shipping services
<b><u>A jointly-controlled entity:</u></b>					
Guizhou Jinlin Chemical Co., Ltd.	PRC 12 April 2007	235,294	Direct Indirect	45.00 —	Manufacture and sale of phosphorus fertiliser

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

### Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2009 have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2008.

### Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2008, except for the adoption of the new Standards and Interpretations as of 1 January 2009, noted below:

#### *IFRS 2 Share-based Payment — Vesting Conditions and Cancellations*

The standard has been amended to clarify the definition of vesting conditions and to prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. The adoption of this amendment did not have any impact on the financial position or performance of the Group.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### Significant accounting policies (Continued)

#### *IFRS 7 Financial Instruments: Disclosures*

The amended standard requires additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, a reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well as significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. The fair value measurement disclosures and the liquidity risk disclosures are not significantly impacted by the amendments.

#### *IFRS 8 Operating Segments*

This standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. Subsequent of the adoption of this standard, management has identified four operating segments as opposed to the three business segments previously identified under IAS 14 Segment Reporting. Additional disclosures about each of these segments are shown in Note 4, including revised comparative information.

#### *IAS 1 Revised Presentation of Financial Statements*

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expenses, either in one single statement, or in two linked statements. The Group has elected to present two statements.

#### *IAS 23 Borrowing Costs (Revised)*

The standard has been revised to require capitalisation of borrowing costs on qualifying assets and the Group has amended its accounting policy accordingly. In accordance with the transitional requirements of the standard this has been adopted as a prospective change. Therefore, borrowing costs have been capitalised on qualifying assets with a commencement date on or after 1 January 2009. The adoption of this standard did not have any impact on the financial position or performance of the Group.

#### *IAS 32 Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation*

The standards have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfill a number of specified criteria. The adoption of these amendments did not have any impact on the financial position or performance of the Group.

#### *IFRIC 13 Customer Loyalty Programmes*

This interpretation requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits and deferred. This is then recognised as revenue over the period that the award credits are redeemed. As the Group currently has no customer loyalty award scheme, the interpretation is not applicable to the Group and therefore is unlikely to have any impact on its financial position or performance.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

### Significant accounting policies (Continued)

#### *IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement*

These amendments to IFRIC 9 require an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. IAS 39 now states that an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss.

#### *IFRIC 16 Hedges of a Net Investment in a Foreign Operation*

The interpretation is to be applied prospectively. IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and hedging instrument, to be recycled on disposal of net investment. As the Group currently has no hedge of a net investment in a foreign operation, the interpretation is unlikely to have any impact on its financial position or performance.

Apart from the above, the International Accounting Standards Board has also issued Improvements to International Financial Reporting Standards (“IFRSs”) which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The improvements to IFRSs are not expected to have any significant impact on the accounting policies, financial position or performance of the Group.

## 3. BUSINESS COMBINATION UNDER COMMON CONTROL

On 28 February 2009, the Company acquired 83.17% and 100% equity interest of Hubei Dayukou Chemical Co., Ltd. (“DYK Chemical”) and ZHJ Mining Company Limited (“ZHJ Mining”) respectively with an aggregate cash consideration of RMB1,161,018,000 (hereinafter referred to as “the Acquisition”).

As the Company, DYK Chemical, and ZHJ Mining are all ultimately controlled by CNOOC, before and after the Acquisition, the Acquisition falls under the category of business combinations among entities under common control, which is not dealt with by IFRS3 Business Combinations. The Company chose to refer to the principles set out in Accounting Guideline 5 Merger Accounting for Common Control Combinations issued by the Hong Kong Institute of Certified Public Accountants (“AG5”) when preparing the interim condensed consolidated financial statements of the Group as if the Acquisition had occurred from the date when the combining entities first came under the control of CNOOC, and the consideration was regarded as the deemed distribution to CNOOC.

DYK Chemical is a company established in the PRC with limited liability in August 2005. It is principally engaged in phosphate mining and processing, and the sale and production of mono-ammonium phosphate (“MAP”) and di-ammonium phosphate (“DAP”) fertilisers.

ZHJ Mining is a limited liability company established in the PRC in July 2006. Its main business activity is exploration and sale of phosphate ore and phosphate concentrate.

### 3. BUSINESS COMBINATION UNDER COMMON CONTROL (CONTINUED)

In accordance with AG5, the comparative amounts of the interim condensed consolidated financial statements of the Group have been restated to include the financial statement items of DYK Chemical and ZHJ Mining. The effects of the Acquisition to the Group's comparative amounts are as follows:

#### (a) Effect on the consolidated statement of financial position as at 31 December 2008

	<b>The Group As previously reported RMB'000</b>	<b>DYK Chemical RMB'000</b>	<b>ZHJ Mining RMB'000</b>	<b>Total RMB'000</b>	<b>Consolidation adjustments RMB'000</b>	<b>As restated RMB'000</b>
<b>Assets</b>						
<b>Non-current assets</b>						
Property, plant and equipment	6,202,554	754,074	95,704	7,052,332	—	7,052,332
Prepaid land lease payments	395,388	26,874	—	422,262	—	422,262
Intangible assets	15,294	57,574	46,288	119,156	—	119,156
Investments in associates	12,839	—	—	12,839	—	12,839
Available-for-sale investments	600	—	—	600	—	600
Deferred tax assets	<u>42,101</u>	<u>42,556</u>	<u>5,029</u>	<u>89,686</u>	<u>—</u>	<u>89,686</u>
	<u>6,668,776</u>	<u>881,078</u>	<u>147,021</u>	<u>7,696,875</u>	<u>—</u>	<u>7,696,875</u>
<b>Current assets</b>						
Inventories	526,759	302,664	6,821	836,244	—	836,244
Trade receivables	48,305	11,126	955	60,386	(955)	59,431
Bills receivable	30,351	25,473	4,861	60,685	—	60,685
Prepayments, deposits and other receivables	233,854	40,434	3,009	277,297	—	277,297
Pledged bank deposits	14,246	—	—	14,246	—	14,246
Cash and cash equivalents	<u>4,177,279</u>	<u>66,316</u>	<u>2,700</u>	<u>4,246,295</u>	<u>—</u>	<u>4,246,295</u>
	<u>5,030,794</u>	<u>446,013</u>	<u>18,346</u>	<u>5,495,153</u>	<u>(955)</u>	<u>5,494,198</u>
<b>Total assets</b>	<u><u>11,699,570</u></u>	<u><u>1,327,091</u></u>	<u><u>165,367</u></u>	<u><u>13,192,028</u></u>	<u><u>(955)</u></u>	<u><u>13,191,073</u></u>

### 3. BUSINESS COMBINATION UNDER COMMON CONTROL (CONTINUED)

#### (a) Effect on the consolidated statement of financial position as at 31 December 2008 (Continued)

	The Group As previously reported <i>RMB'000</i>	DYK Chemical <i>RMB'000</i>	ZHJ Mining <i>RMB'000</i>	Total <i>RMB'000</i>	Consolidation adjustments <i>RMB'000</i>	As restated <i>RMB'000</i>
<b>Equity and liabilities</b>						
Equity attributable to equity holders of the parent						
Paid-up capital	4,610,000	1,000,624	50,000	5,660,624	(1,050,624)	4,610,000
Reserves	4,377,276	(120,408)	76,035	4,332,903	902,482	5,235,385
Proposed dividend	437,950	—	—	437,950	—	437,950
Minority interests	901,595	—	—	901,595	148,142	1,049,737
<b>Total equity</b>	<u>10,326,821</u>	<u>880,216</u>	<u>126,035</u>	<u>11,333,072</u>	<u>—</u>	<u>11,333,072</u>
<b>Non-current liabilities</b>						
Benefits liability	66,413	—	—	66,413	—	66,413
Interest-bearing bank and other borrowings	212,009	—	—	212,009	—	212,009
Other long-term liabilities	55,029	46,502	11,209	112,740	—	112,740
Deferred tax liabilities	76,564	2,956	2,738	82,258	—	82,258
	<u>410,015</u>	<u>49,458</u>	<u>13,947</u>	<u>473,420</u>	<u>—</u>	<u>473,420</u>
<b>Current liabilities</b>						
Trade payables	107,709	21,000	3,843	132,552	(955)	131,597
Other payables and accruals	757,576	306,417	20,336	1,084,329	—	1,084,329
Interest-bearing bank and other borrowings	77,775	70,000	—	147,775	—	147,775
Income tax payable	19,674	—	1,206	20,880	—	20,880
	<u>962,734</u>	<u>397,417</u>	<u>25,385</u>	<u>1,385,536</u>	<u>(955)</u>	<u>1,384,581</u>
<b>Total liabilities</b>	<u>1,372,749</u>	<u>446,875</u>	<u>39,332</u>	<u>1,858,956</u>	<u>(955)</u>	<u>1,858,001</u>
<b>Total equity and liabilities</b>	<u>11,699,570</u>	<u>1,327,091</u>	<u>165,367</u>	<u>13,192,028</u>	<u>(955)</u>	<u>13,191,073</u>

### 3. BUSINESS COMBINATION UNDER COMMON CONTROL (CONTINUED)

#### (b) Effect on the consolidated income statement for the six months ended 30 June 2008

	The Group As previously reported <i>RMB'000</i>	DYK Chemical <i>RMB'000</i>	ZHJ Mining <i>RMB'000</i>	Total <i>RMB'000</i>	Consolidation adjustments <i>RMB'000</i>	As restated <i>RMB'000</i>
<b>Revenue</b>	2,832,660	766,392	51,832	3,650,884	(15,183)	3,635,701
Cost of sales	<u>(1,519,584)</u>	<u>(612,056)</u>	<u>(17,025)</u>	<u>(2,148,665)</u>	<u>15,183</u>	<u>(2,133,482)</u>
<b>Gross profit</b>	1,313,076	154,336	34,807	1,502,219	—	1,502,219
Other income and gains	35,181	7,589	—	42,770	—	42,770
Selling and distribution costs	(40,080)	(12,993)	(624)	(53,697)	—	(53,697)
Administrative expenses	(120,187)	(29,436)	(14,619)	(164,242)	—	(164,242)
Other expenses	(3,645)	(878)	(4)	(4,527)	—	(4,527)
Finance income	13,496	436	16	13,948	—	13,948
Finance costs	(4,660)	(4,918)	(502)	(10,080)	—	(10,080)
Net foreign exchange differences	14,360	(159)	—	14,201	—	14,201
Share of profits of associates	<u>2,785</u>	<u>—</u>	<u>—</u>	<u>2,785</u>	<u>—</u>	<u>2,785</u>
<b>Profit before tax</b>	1,210,326	113,977	19,074	1,343,377	—	1,343,377
Income tax expense	<u>(115,567)</u>	<u>(28,814)</u>	<u>(5,575)</u>	<u>(149,956)</u>	<u>—</u>	<u>(149,956)</u>
<b>Profit for the period</b>	<u>1,094,759</u>	<u>85,163</u>	<u>13,499</u>	<u>1,193,421</u>	<u>—</u>	<u>1,193,421</u>
Attributable to:						
Equity holders of the parent	966,178	85,163	13,499	1,064,840	(14,333)	1,050,507
Minority interests	<u>128,581</u>	<u>—</u>	<u>—</u>	<u>128,581</u>	<u>14,333</u>	<u>142,914</u>
	<u>1,094,759</u>	<u>85,163</u>	<u>13,499</u>	<u>1,193,421</u>	<u>—</u>	<u>1,193,421</u>

#### 4. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services provided. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments.

Summary details of the business segments are as follows:

- (i) the urea segment is engaged in the manufacture and sale of urea;
- (ii) the phosphorus fertiliser segment is engaged in the manufacture and sale of MAP and DAP fertilisers;
- (iii) the methanol segment is engaged in the manufacture and sale of methanol; and
- (iv) the "others" segment mainly comprises segments engaged in port operation, the provision of transportation services and the manufacture and sale of woven plastic bags and compound fertiliser.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's-length basis in a manner similar to transactions with third parties.

The following tables present revenue and profit information for the Group's business segments for the six months ended 30 June 2009 and 2008:

**(Unaudited)**

Six months ended 30 June 2009	Urea	Phosphorus fertiliser	Methanol	Others	Adjustment and Elimination	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue:</b>						
Third party	1,628,865	521,894	531,096	146,284	—	2,828,139
Inter-segment	12,553	—	8,023	43,785	<sup>1</sup> (64,361)	—
Total Revenue	<u>1,641,418</u>	<u>521,894</u>	<u>539,119</u>	<u>190,069</u>	<u>(64,361)</u>	<u>2,828,139</u>
<b>Results</b>						
Segment profit before tax	<u>535,710</u>	<u>77,737</u>	<u>73,780</u>	<u>16,524</u>	<u><sup>2</sup>(17,229)</u>	<u>686,522</u>

**(Unaudited)**

**(Restated)**

Six months ended 30 June 2008	Urea	Phosphorus fertiliser	Methanol	Others	Adjustment and Elimination	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue:</b>						
Third party	1,672,135	803,041	905,071	255,454	—	3,635,701
Inter-segment	92,041	2,310	12,807	50,168	<sup>1</sup> (157,326)	—
Total Revenue	<u>1,764,176</u>	<u>805,351</u>	<u>917,878</u>	<u>305,622</u>	<u>(157,326)</u>	<u>3,635,701</u>
<b>Results</b>						
Segment profit before tax	<u>656,201</u>	<u>139,061</u>	<u>517,381</u>	<u>34,520</u>	<u><sup>3</sup>(3,786)</u>	<u>1,343,377</u>

#### 4. SEGMENT INFORMATION (CONTINUED)

The following table presents segment assets of the Group's operating segments as at 30 June 2009 and 31 December 2008:

	<b>Urea</b>	<b>Phosphorus fertiliser</b>	<b>Methanol</b>	<b>Others</b>	<b>Adjustment and Elimination</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Segment asset</b>						
<b>At 30 June 2009 (unaudited)</b>	<u>5,822,449</u>	<u>1,404,254</u>	<u>2,121,636</u>	<u>2,055,667</u>	<sup>4</sup> <u>1,677,495</u>	<u>13,081,501</u>
<b>At 31 December 2008 (audited and restated)</b>	<u>5,697,739</u>	<u>1,443,918</u>	<u>2,427,802</u>	<u>1,799,762</u>	<sup>5</sup> <u>1,821,852</u>	<u>13,191,073</u>

1. Inter-segment revenues are eliminated on consolidation
2. The profit for each operating segment does not include interest and dividend income and unallocated gains RMB63,165,000, corporate and other unallocated expenses RMB63,702,000, finance cost RMB14,593,000, net foreign exchange losses RMB2,542,000 nor share of profits of associates of RMB443,000.
3. The profit for each operating segment does not include interest and dividend income and unallocated gains RMB45,947,000, corporate and other unallocated expenses RMB56,639,000, finance cost RMB10,080,000, net foreign exchange gains RMB14,201,000 nor share of profits of associates RMB2,785,000.
4. Segment assets do not include investments in associates RMB13,281,000, deferred tax assets RMB102,366,000, available-for-sale investments RMB402,533,000, other unallocated assets RMB1,217,519,000 nor eliminations of inter-segment assets RMB58,204,000.
5. Segment assets do not include investments in associates RMB12,839,000, deferred tax assets RMB89,686,000, available-for-sale investments RMB600,000, other unallocated assets RMB1,756,371,000 nor eliminations of inter-segment assets RMB37,644,000.

## 5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the invoiced value of goods sold, net of value-added tax, after allowances for returns and discounts; and the value of services rendered.

An analysis of revenue, other income and gains is as follows:

	Six months ended 30 June	
	2009	2008
	Restated	
	Unaudited	
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue</b>		
Sale of goods	2,731,470	3,532,005
Rendering of services	96,669	103,696
	<u>2,828,139</u>	<u>3,635,701</u>
<b>Other income and gains</b>		
Realized gain from disposal of available-for-sale investments	16,717	25,921
Fair value gain on derivative financial instruments	—	6,136
Income from the sale of other materials	1,554	2,474
Gain on disposal of items of property, plant and equipment	3,029	7,589
Gross rental income	—	44
Value added tax refund	28,629	—
Others	402	606
	<u>50,331</u>	<u>42,770</u>

## 6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2009	2008
	Restated	
	Unaudited	
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of inventories sold	1,889,024	2,054,301
Cost of services provided	79,540	84,499
Depreciation	356,903	338,548
Amortisation of intangible assets	2,701	1,974
Amortisation of prepaid land lease payments	5,185	5,059
Write-down of inventory to net realizable value	2,944	—
Fair value gain on derivative financial instruments	—	(6,136)
Net foreign exchange differences	2,542	(14,201)
(Gain)/loss on disposal of items of property, plant and equipment	<u>(822)</u>	<u>2,575</u>

## 7. INCOME TAX EXPENSE

### (a) Corporate income tax

Corporate income tax("CIT") has been provided at the rate of 25% (2008: 25%) on the estimated assessable profits during the 6 months ended 30 June 2009.

Pursuant to the document Finance Taxes [2008] No. 21 issued by the Ministry of Finance and the State Administration of Taxation on 20 February 2008, the Company, its subsidiaries and its associates registered in Hainan Province or Pudong New Area, Shanghai, PRC, are entitled to preferential CIT rates of 18%, 20%, 22% and 24% for the years 2008, 2009, 2010 and 2011 respectively, and 25% from 2012.

The Company, Hainan CNOOC Complex Fertiliser Co., Ltd. and Hainan CNOOC Plastic Company Limited are entitled to a preferential CIT rate of 20% during the 6 months ended 30 June 2009.

CNOOC Fudao Limited is entitled to a preferential tax rate of 15% for the three years ending 31 December 2010 after being assessed as a high new technology entity.

Hainan Basuo Port Limited is entitled to an exemption from CIT for the five years ending 31 December 2009 and a 50% reduction in the applicable CIT rate for the five years ending 31 December 2014 as it is engaged in infrastructure development and operations.

CNOOC Jiantao, the Company's subsidiary, is a foreign investment enterprise and is entitled to an exemption from CIT for its first two profitable years and a 50% reduction in the applicable CIT rate for the subsequent three years. CNOOC Jiantao has elected to benefit from the tax holiday starting from the year ended 31 December 2007.

### (b) Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the six months ended 30 June 2009.

The major components of income tax expense for the six months ended 30 June 2009 and 2008 are as follows:

	Six months ended 30 June	
	2009	2008
		Restated
	Unaudited	
	RMB'000	RMB'000
Current — PRC		
Charge for the period	115,474	152,604
Deferred	(12,060)	(2,648)
Total tax charge for the period	<u>103,414</u>	<u>149,956</u>

## 8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent for the six months ended 30 June 2009 of approximately RMB527,022,000 (Six months ended 30 June 2008: RMB1,050,507,000) and the 4,610,000,000 ordinary shares in issue during the period (Six months ended 30 June 2008: 4,610,000,000).

Diluted earnings per share amounts for the six months ended 30 June 2009 and 2008 have not been calculated because no diluting events existed during those periods.

## 9. TRADE RECEIVABLES

Sales of the Group's fertiliser and methanol are normally settled on an advance receipt basis whereby the customers are required to pay in advance either by cash or by bank acceptance drafts. In the case of export sales, the Group may also accept irrevocable letters of credit issued in its favour.

The trading terms of the Group with its major methanol customers are mainly on credit. The credit period is generally one month.

An aged analysis of trade receivables, based on the invoice date and net of impairment of trade receivables of the Group, is as follows:

	<b>30 June 2009</b>	31 December 2008
	<b>Unaudited</b>	Audited
		Restated
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Within six months	<b>79,206</b>	46,136
Over six months but within one year	<b>39,573</b>	13,146
Between one to two years	<b>993</b>	149
	<b><u>119,772</u></b>	<b><u>59,431</u></b>

## 10. DIVIDENDS

Pursuant to the articles of association of the Company, the net profit after tax of the Company for the purpose of profit distribution is deemed to be the lesser of (i) the net profit determined in accordance with Chinese Accounting Standards for Business Enterprises; and (ii) the net profit determined in accordance with IFRSs.

During the six months ended 30 June 2009, the Company has paid a final 2008 dividend amounted to RMB437,950,000 (Six months ended 30 June 2008: RMB368,800,000).

The board of directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2009 (Six months ended 30 June 2008: Nil).

## 11. TRADE PAYABLES

The trade payables are non-interest-bearing and are normally settled from 30 to 60 days. An aged analysis of trade payables, based on the invoice dates, of the Group as at the balance sheet date, is as follows:

	<b>30 June 2009</b>	31 December 2008
	<b>Unaudited</b>	Audited
		Restated
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Within six months	<b>171,172</b>	122,707
Over six months but within one year	<b>4,250</b>	457
Over one year but within two years	<b>183</b>	7,624
Over two years but within three years	<b>5,440</b>	626
Over three years	<b>243</b>	183
	<b><u>181,288</u></b>	<b><u>131,597</u></b>

The amounts due are unsecured and have no fixed terms of repayment.

### (III) MANAGEMENT DISCUSSION AND ANALYSIS

#### 1. Business Review

During the reporting period, the Company ensured the safe and stable operation of its major existing plants by strengthening the refined production management. The urea plant of Fudao Phase II achieved safe and stable operation after a major overhaul completed in the first quarter. The methanol plant of CNOOC Tianye completed a continuous operation cycle of 144 days, being the longest operation record since the commencement of its operation.

Under the adverse market environment, the Company basically achieved balance between output and sales relying on the excellent quality and fine reputation of its urea and methanol products, assuring profitability while further highlighting economies of scale and cost advantages of the Company's urea and methanol plants. During the reporting period, DYK Chemical effectively positioned itself in the market based on the diligent preliminary research and reasonable pricing, achieving breakthrough in the strategy of building inventory through low seasons for sales during peak seasons for its DAP products.

Output and sales of the Group's various plants during the reporting period are set out in the following table:

	Six months ended 30 June					
	2009			2008		
Fertilisers	Production volume (tonnes)	Sales volume (tonnes)	Utilisation rate (%)	Production volume (tonnes)	Sales volume (tonnes)	Utilisation rate (%)
<b>Urea</b>						
Fudao Phase I	294,315	291,001	113.2	267,517	265,068	102.9
Fudao Phase II	334,255	343,909	83.6	443,308	438,464	110.8
CNOOC Tianye	312,205	300,846	120.1	280,244	279,991	107.8
Group total	<u>940,775</u>	<u>935,756</u>	<u>102.3</u>	<u>991,069</u>	<u>983,523</u>	<u>107.7</u>
<b>Phosphate Fertilisers</b>						
DYK Chemical MAP	11,275	13,040	15.0	31,414	17,569	41.9
DYK Chemical DAP	203,367	174,290	116.2	183,742	171,202	105.0
Group total	<u>214,642</u>	<u>187,330</u>	<u>85.9</u>	<u>215,156</u>	<u>188,771</u>	<u>86.1</u>
<b>Chemical Products</b>						
<b>Methanol</b>						
CNOOC Jiantao (Note 1)	286,211	276,361	95.4	228,285	223,563	103.8
CNOOC Tianye	108,484	103,407	108.5	89,065	89,621	89.1
Group total	<u>394,695</u>	<u>379,768</u>	<u>98.7</u>	<u>317,350</u>	<u>313,184</u>	<u>99.2</u>

Note 1: Data for January to April 2008 were based on consolidation of 60% shareholding basis and data for May to June were based on consolidation of 100% shareholding basis. Total output and sales of methanol were 312,776 tonnes and 304,557 tonnes respectively in the first half of 2008 for CNOOC Jiantao. Data for January to June 2009 were based on consolidation of 100% shareholding basis.

## 2. Financial Review

The comparative figures for the corresponding period of 2008 disclosed in the following represent historical figures disclosed in the 2008 announcements that have not been restated, save for cash and cash equivalents held by the Group at the beginning of the reporting period.

### *Revenue and gross profit*

The Group recorded revenue of RMB2,828.1 million for the reporting period, a decrease of RMB4.6 million or 0.2% from RMB2,832.7 million for the corresponding period of 2008. Gross profit in the first half of 2009 amounted to RMB859.6 million, a decrease of RMB453.5 million or 34.5%, from RMB1,313.1 million for the corresponding period of 2008.

During the reporting period, the Group generated external revenue of RMB521.9 million from the new phosphate fertiliser business (production and sales of MAP and DAP) pursuant to the acquisition of the phosphate fertiliser assets of DYK Chemical and ZHJ Mining.

The Group's external revenue from urea for the reporting period was RMB1,628.9 million, representing a decrease of RMB43.2 million or 2.6% from RMB1,672.1 million for the corresponding period of 2008, which was primarily attributable to decrease in selling price of urea and a decrease of 47,767 tonnes in sales volume of urea as compared to the corresponding period last year.

The Group's external revenue from methanol for the reporting period was RMB531.1 million, a decrease of RMB374.0 million or 41.3% from RMB905.1 million for the corresponding period of 2008, primarily due to decrease in selling price of methanol.

External revenue from other businesses (comprising mainly port operations; provision of transportation services; and production/sales of woven plastic bags and compound fertilisers) decreased by RMB109.2 million for the reporting period, which was primarily attributable to decrease in selling price of compound fertilisers and a decrease of 42,958 tonnes in sales volume of compound fertilisers compared to the corresponding period last year.

The Group's gross profit for the reporting period was RMB859.6 million, representing a decrease of RMB453.5 million or 34.5% as compared to that of RMB1,313.1 million for the corresponding period of 2008. The decrease in gross profit of the Group was mainly due to: (1) gross profit of RMB116.4 million from the new phosphate fertiliser business acquired during the reporting period, (2) decrease in the sales volume and selling price of urea during the reporting period resulting in a decrease of RMB81.3 million in gross profit; and (3) decrease in selling price of methanol during the reporting period resulting in a decrease of RMB430.0 million in gross profit; and (4) a decrease of RMB58.6 million in gross profit from other businesses for the reporting period.

### *Other income and gains*

Other income and gains for the reporting period amounted to RMB50.3 million, representing an increase of RMB15.1 million or 42.9% from RMB35.2 million for the corresponding period of 2008. The increase was primarily attributable to: (1) an

increase of RMB28.6 million in VAT refunds for the reporting period; (2) a decrease of RMB15.3 million in investment income received from entrusted investment products and fair value gains from derivative financial instruments for the reporting period, which partially offset the aforesaid increase.

#### *Selling and distribution costs*

The Group's selling and distribution costs for the reporting period amounted to RMB58.9 million, representing an increase of RMB18.8 million or 46.9% from RMB40.1 million for the corresponding period of 2008. The increase in selling and distribution costs was primarily attributable to: (1) selling and distribution costs of the new phosphate fertiliser business acquired during the period amounting to RMB10.4 million; and (2) an increase of RMB8.4 million in repair costs for transportation equipment and miscellaneous transportation charges at ports of direct export.

#### *Administrative expenses*

The Group's administrative expenses for the reporting period amounted to RMB158.1 million, an increase of RMB37.9 million or 31.5% from RMB120.2 million for the corresponding period of 2008. Such increase was mainly attributable to: (1) administrative expenses for the acquisition of DYK Chemical and ZHJ Mining during the reporting period, amounting to RMB30.6 million; and (2) an increase of RMB5.0 million in expenses such as consulting fees incurred from the acquisition of the phosphate fertiliser assets of DYK Chemical and ZHJ Mining.

#### *Other expenses*

The Group's other expenses for the reporting period amounted to RMB7.1 million, representing an increase of RMB3.5 million or 97.2% from RMB3.6 million for the corresponding period of 2008. The increase was primarily attributable to increase in bank handling charges incurred as a result of the issuance of banker's acceptance issued by the Group during the reporting period.

#### *Finance income and finance costs*

The Group's finance income for the reporting period was RMB17.4 million, representing an increase of RMB3.9 million or 28.9% from RMB13.5 million for the corresponding period of 2008. The increase was primarily attributable to the increase of interest income resulting from increase in the average balance of bank deposits of the Group for the reporting period. The Group's finance costs for the reporting period amounted to RMB14.6 million, representing an increase of RMB9.9 million or 210.6% from RMB4.7 million for the corresponding period of 2008. The increase was primarily attributable to finance costs of RMB4.5 million for the acquisition of DYK Chemical and ZHJ Mining acquired during the reporting period.

#### *Net foreign exchange differences*

The Group recorded an exchange loss of RMB2.5 million for the reporting period, representing a decrease of RMB16.9 million or 117.4% from the exchange gain of RMB14.4 million for the corresponding period of 2008, which was primarily attributable to the full repayment of the CNOOC Jiantao's US dollar loan of RMB280.4 million.

### *Income tax expense*

The Group's income tax expense for the reporting period was RMB103.4 million, representing a decrease of RMB12.2 million or 10.6% from RMB115.6 million for the corresponding period of 2008. The decrease was primarily attributable to: (1) a decrease in CIT expense for the current period resulting from the decrease in the Group's profit before tax for the reporting period; (2) additional CIT expense resulting from the acquisition of DYK Chemical and ZHJ Mining during the reporting period amounting to RMB21.5 million, which partially offset the aforesaid decrease; (3) the reduction of CIT expense as a result of an increase in the deferred tax assets during the reporting period.

### *Net profit for the period*

For the reporting period, the Group's net profit was RMB583.1 million, a decrease of RMB511.7 million or 46.7% from RMB1,094.8 million for the corresponding period of 2008.

The decrease in the Group's net profit for the reporting period was primarily attributable to the decrease in selling prices of fertilisers and methanol during the reporting period, which was partially offset by a net profit of RMB56.2 million generated by the new phosphate fertiliser business.

### *Dividends*

The board of directors of the Company did not recommend the payment of interim dividend for the six months ended 30 June 2009.

For the six months ended 30 June 2009, the Company had distributed final cash dividend of RMB438.0 million for 2008.

### *Capital expenditure*

The Group's capital expenditure in respect of acquisitions, property, plant and equipment and prepaid land lease payments for the reporting period amounted to RMB1,598.8 million, which comprised mainly: (1) RMB1,161.0 million as at 30 June 2009 for the acquisition of 83.17% equity interests in DYK Chemical and 100% equity interests in ZHJ Mining; (2) RMB260.5 million for the polyoxymethylene project in Inner Mongolia; (3) RMB93.0 million for the methanol project in Hainan; and (4) RMB84.3 million for plant upgrades and equipment purchases.

### *Pledge of assets*

During the reporting period, the Group had no pledge of assets.

### *Significant investments*

As at 30 June 2009, available-for-sale investments held by the Group amounted to RMB402.5 million. The investments together with relevant interests were recovered in July 2009.

### *Capital management*

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to safeguard its normal production operations and maximise shareholder value. The Group manages its capital structure in light of changes in economic conditions and makes timely adjustments where appropriate. To maintain or adjust the capital structure, the Group may raise new debt or issue new shares. During the reporting period, there were no substantial changes in the Group's capital management format over 2008. The gearing ratio (calculated as interest bearing liabilities divided by total capitalisation plus interest bearing liabilities) of the Group as at 30 June 2009 was 0%, as compared with 2.7% as at 31 December 2008. The interest bearing bank and other borrowings of the Group were fully settled. As at 30 June 2009, the Group had no outstanding interest-bearing bank and other borrowings.

### *Cash and cash equivalents*

The Group's cash and cash equivalents at the beginning of the reporting period amounted to RMB4,246.3 million. The net cash inflow from operating activities for the period was RMB1,155.9 million, net cash outflow from investing activities was RMB2,310.1 million, and net cash outflow from financing activities was RMB814.9 million. As at 30 June 2009, the Group's cash and cash equivalents amounted to RMB2,277.2 million.

### *Human resources and training*

As of 30 June 2009, the Group had about 5,920 employees. The Company adopts an effective remuneration package policy and a systematic welfare plan as well as an effective performance evaluation system to ensure that the remuneration policy of the Company effectively provides incentive to its staff. The Company determines staff remuneration according to their positions, capability and performance.

During the reporting period, the Company held 718 training courses in strict accordance with its annual training plans, there was a total of 19,054 enrolments and the aggregate training hours amounted to 81,698 hours.

### *Market risk*

The major market risk of the Group is exposure to changes and fluctuations in the sale prices of key products, costs of raw materials (mainly natural gas, phosphate ore, ammonia and sulphur), fuel (mainly natural gas and coal), and fluctuations in interest and exchange rates.

### *Commodity price risk*

The Group is also exposed to commodity price risk arising from fluctuations in product sale prices and costs of raw materials and fuel.

### *Interest rate risk*

The major interest rate risk that the Group is exposed to includes the Group's long term debt obligations which are subject to floating interest rates.

### *Foreign exchange risk*

The Group's revenue was primarily denominated in Renminbi and secondarily in US dollar. During the reporting period, the Renminbi to US dollar exchange rate ranged from 6.8201 to 6.8399. The appreciation of Renminbi against the US dollar could have a double effect. The Group's revenue from sales of products may decline as a result of the depreciation of the US dollar against Renminbi, while the cost of import for equipment and raw materials may also reduce.

During the reporting period, the Group had repaid all its USD-denominated debts.

### *Inflation and currency risk*

According to the data released by the National Bureau of Statistics of China, the consumer price index of the PRC decreased by 1.1% for the reporting period. The movement did not have a significant effect on the Group's operating results.

### *Post balance sheet events and contingent liabilities*

On 30 July 2009, the Company entered into agreements with 山西華鹿熱電有限公司 (Shanxi Hualu Thermoelectricity Co., Ltd.) ("Shanxi Hualu") in respect of the acquisition of 49% equity interests in 山西華鹿陽坡泉煤礦有限公司 (Shanxi Hualu Yangpoquan Coal Mining Co., Ltd.) ("Yangpoquan Coal"), a wholly-owned subsidiary of Shanxi Hualu, and contributions of additional capital to 山西華鹿煤炭化工有限公司 (Shanxi Hualu Coal Chemical Ltd.) ("Hualu Chemical"), a wholly-owned subsidiary of Shanxi Hualu, in consideration of 51% equity interests in Hualu Chemical. The Company agreed to pay RMB637.0 million in consideration of the transfer of 49% equity interests in Yangpoquan Coal from Shanxi Hualu and make a capital contribution of RMB40.6 million to Hualu Chemical in consideration of the 51% equity interests in Hualu Chemical.

Yangpoquan Coal is a legally subsisting company with limited liability, incorporated under the laws and registered with Shanxi Provincial Administration of Industry and Commerce on 3 August 2001. It is principally engaged in the mining and sale of coal with an approved annual production capacity of 1,200,000 tonnes of coal per annum.

Hualu Chemical is a legally subsisting company with limited liability, incorporated under the laws and registered with the Administration of Industry and Commerce of Hequ County, Shanxi Province on 29 November 2005. Upon the completion of the enlargement of its share capital, the principal business of Hualu Chemical will be the production and sale of coal-based urea.

On 31 July 2009, the Company completed the payment of an aggregate amount of RMB677.6 million for the aforesaid consideration for equity interests and capital contributions.

As at 30 June 2009, the Group had no material contingent liabilities.

### *Material litigation and arbitration*

As at 30 June 2009, the Group was not involved in any material litigation or arbitration.

### *Material acquisition and disposal of the Company's subsidiaries and associated companies*

During the reporting period, the Company has acquired 83.17% and 100% equity interest of DYK Chemical and ZHJ Mining respectively with an aggregate cash consideration of RMB1,161,018,000 (The aggregate consideration was less than that disclosed in the circular of the Company dated 31 December 2008 because there had been a decrease in the respective net asset values of DYK Chemical and ZHJ Mining during the relevant period).

DYK Chemical is a company established in the PRC with limited liability in August 2005. It is principally engaged in phosphate mining and processing, and the sale and production of MAP and DAP fertiliser.

ZHJ Mining is a limited liability company established in the PRC in July 2006. Its main business activity is mining and sale of phosphate.

### **3. Market Review and Outlook**

#### *Fertilisers*

In 2009, agricultural production and safety of food supply remained a major focus for the PRC government, which further enhanced its subsidies for the agricultural industry on top of the significant increase in agricultural investment committed in 2008. The aggregate amount of various types of agricultural subsidies is estimated to reach approximately RMB120 billion for the year of 2009, growing by approximately 17% as compared to 2008. Meanwhile, minimum food purchase prices were substantially raised by 13% to 16%. These play an important role in protecting farmers' interests, mobilizing farmers' initiative to grow crops, and promoting the sustainable development of the domestic agricultural industry. They also have a positive effect of stabilizing and increasing the demand for fertilisers.

To ensure the steady and sound development of the domestic fertiliser industry, the PRC government continues to provide concessions for fertiliser producers, such as favourable pricing for natural gas, electricity and rail transportation as well as preferential tax treatment. With effect from 25 January 2009, ex-factory price caps for fertilisers (including urea and phosphate fertilisers) were abolished so as to gradually establish a market-driven pricing mechanism for fertilisers. This provides a level playing field for medium and large producers of fertilisers in the PRC.

On 18 May 2009, the PRC government announced its adjustment and stimulation plans for the petrochemical industry. Key adjustments and measures specific to the fertiliser sector include: using clean coal gasification technologies and constructing large-scale nitrogenous fertiliser product units near places of energy supply to replace obsolete production capacities; optimising allocation of resources in relation to phosphate fertilisers, promoting technologies such as the integrated use of sulphur and low and mid-grade phosphate; continuing to develop Yunnan, Guizhou and Hubei as three leading production bases for phosphate fertilisers; enhancing the exploration and development of both domestic and foreign potassium ore resources; refining the fertiliser reserve system that supports the storage and reserve of phosphate and urea by key fertiliser producers. These measures will facilitate the rapid development of large-scale domestic makers of chemical fertilisers.

### *(I) Urea*

During the reporting period, domestic urea production was approximately 31.64 million tonnes, representing an increase of approximately 9% compared to the corresponding period of 2008.

During the first half of 2009, under the influence of the global financial crisis, the demand for urea from the agricultural and industrial sectors in the world declined significantly and the international prices persistently remained at low levels. As a country of urea export, the export during the first half of the year was slashed to 694,000 tonnes, representing only 18% of what the country exported during the corresponding period last year.

Although the domestic demand for agricultural urea remained stable, the domestic market was under pressure during the first half of the year because the increased in domestic urea production and the fall of industrial demand for urea and the decrease in export of urea. Since the surge of RMB2,100 per tonne in March motivated by the demand in peak season, the market price for urea had dropped gradually, and reached around RMB1,700 per tonne at the end of June.

### *(II) Phosphate Fertilisers*

During the reporting period, domestic MAP production decreased by 15.4% to approximately 3,597,000 tonnes compared to the corresponding period last year, while DAP production increased by 20.1% to 4,813,000 tonnes compared to the corresponding period last year.

Since the world market for ammonium phosphate during the fourth quarter of 2008 was affected by the global financial crisis, demand was deeply reduced, prices plunged rapidly and the level of inventory was greatly escalated. The world market for ammonium phosphate remained very weak during the first half of 2009 due to the combined effect of high inventory levels and low demand. The domestic prices for ammonium phosphate continued to stay at low levels.

During the second half of 2009, although it will be a low season for chemical fertilisers domestically, the urea prices will be supported by the cost of manufacture of urea manufacturers (which use coal as a raw material) since the domestic coal price stands at a high level. In order to assure the stable development for the fertiliser sector, the PRC government is extending the applicable period of low-season export tax rates for one month for urea, and one and a half month for that of MAP and DAP. This will benefit the export of domestic fertilisers. Besides, the national measures on fertilisers reserves will help stabilise domestic prices of fertilisers in the second half of the year.

### *Methanol*

Damped by the global financial crisis, the shrinking demand from downstream industries of methanol internationally in early 2009 resulted in a drastic increase in methanol imports and a deep plummet in domestic methanol prices. Since early February 2009, however, domestic methanol prices rose again as the domestic

demand had been driven up by the PRC's massive economic stimulation plan. By the end of June 2009, methanol prices in the domestic market were maintained at RMB1,900 to RMB2,000 per tonne.

During the reporting period, the utilisation rate of the domestic methanol industry dropped significantly as the production costs were substantially higher than the market prices for most of the domestic methanol producers. From January to June 2009, the volume of domestic methanol production was approximately 4,938,000 tonnes, which were approximately 10% less as compared to the corresponding period of 2008. Meanwhile, approximately 3,405,000 tonnes of methanol were imported, representing a surge of approximately 550% as compared to that of the corresponding period last year.

During the reporting period, the methanol apparent consumption quantity of the domestic market was approximately 7,800,000 tonnes, representing a large-scale increase compared to the corresponding period of 2008.

Looking forward to the second half of 2009, the world economy is expected to be stabilised with the help of proactive monetary and fiscal policies adopted by various governments, driving the demand for methanol from downstream chemical industries. Meanwhile, the significant recovery of the price of international energy will increase the consumption of methanol as an alternative energy. Furthermore, the anti-dumping investigations regarding imports of methanol carried out by the PRC Ministry of Commerce on 24 June and the approval of the PRC Standard for "Methanol Gasoline for Vehicle Use (M85)" will have a positive impact on the domestic methanol market in the second half of the year.

### ***Outlook***

In the second half of 2009, the PRC government will enhance and reinforce the trend of positive stabilisation of the economy, and strive to achieve the GDP growth rate of 8% of the year. To address changes in its business environment and opportunities for development, the Group will focus on the following in the second half of 2009:

1. Continue to enhance the production and safety management to ensure the stable operation of existing units plants and the fulfillment of annual production targets;
2. Refine the sales and distribution network of the Company under the unified sales management model, actively execute the sales tasks for the second half of the year and to fulfill the annual sales targets;
3. Advance the Inner Mongolia POM Project, the Hainan Methanol Project and the DKY Chemical Ammonium Phosphate Project according to the relevant plans of the Company;
4. Actively seek for opportunities for both domestic and foreign merger, acquisition and reconstruction, in accordance with the Company's development strategy;
5. Further expand the investment of the research and development to conduct proper technical research and development.

## **(IV) SUPPLEMENTAL INFORMATION**

### **Audit Committee**

The Audit Committee has reviewed the accounting principles and standards adopted by the Group, and has discussed and reviewed the internal control and reporting matters with the management, including the review of the interim results for the six months ended 30 June 2009. The interim results for the six months ended 30 June 2009 have not been audited but have been independently reviewed by Ernst & Young, the Company's external auditors, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. Neither the Audit Committee nor Ernst & Young has any disagreement with the accounting treatment adopted in preparing the interim results for the reporting period.

### **Compliance with the Code on Corporate Governance Practices**

The Company continues to maintain high standards of corporate governance so as to ensure better transparency and protection of shareholders' interest in general. Save as disclosed below, the Company had complied with the code provisions of the Code on Corporate Governance Practices (the "Corporate Governance Code") in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited for the six months ended 30 June 2009:

The code provision E.1.2 of the Corporate Governance Code provides that the Chairman shall attend the annual general meeting of the Company. Due to other business commitments, Mr. Wu Mengfei, the Chairman of the Board, was unable to attend the annual general meeting (the "AGM") of the Company held on 12 June 2009 and had entrusted Mr. Fang Yong, executive Director and Executive Vice President of the Company, to preside over the meeting. Mr. Wu Mengfei was also contactable at all times during the AGM to answer questions if necessary.

### **Compliance with the Model Code for Securities Transactions by Directors of Listed Issuer**

The Board confirms, having made specific enquiries with all directors and supervisors, that during the six months ended 30 June 2009, all members of the Board and all supervisors have complied with the required standards of the Model Code for Securities Transactions by Directors of Listed Issuer as set out in Appendix 10 of the Listing Rules.

### **Purchase, Sale or Redemption of the Company's Listed Securities**

During the six months ended 30 June 2009, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

### **Disclosure on the Website of the Stock Exchange**

All information required to be disclosed under paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange (<http://www.hkex.com.hk>) and on the website of the Company (<http://www.chinabluechem.com.cn>) in due course.

## **(V) REMUNERATION OF DIRECTORS AND SUPERVISORS**

References are made to announcements of the Company published on 12 June 2009, 23 April 2009 and 17 April 2009, and a circular published on 27 April 2009, Mr. Yang Yexin, Mr. Fang Yong and Mr. Chen Kai were re-appointed as executive Directors of the Company; Mr. Wu Mengfei was re-appointed as a non-executive Director of the Company; Mr. Tsui Yiuwa, Alec and Mr. Zhang Xinzhi were re-appointed and Mr. Li Yongwu was appointed as independent non-executive Directors of the Company; Mr. Yin Jihong and Mr. Huang Jinggui were re-appointed as Supervisors of the Company, and Mr. Zhang Ping was elected democratically as the Supervisor representing the employees of the Company. Their remunerations are set out as follows:

### **Executive Directors**

Mr. Yang Yexin, Mr. Fang Yong and Mr. Chen Kai will not receive emoluments from their positions as directors (save and except for the H share appreciation rights and other allowances) but only receive remunerations for their positions as senior management during their terms as the executive Directors of the Company. The aggregated amount of the three executive Directors' remunerations will be no more than RMB2,600,000 per annum during their three-year terms of offices. The remuneration committee of the Board will further fix concrete amount of remunerations for each executive Director.

### **Non-Executive Director**

Mr. Wu Mengfei will not receive director's emolument during his term of office as the non-executive Director of the Company (save and except for the H share appreciation rights and other allowances) according to his own will and request.

### **Independent Non-Executive Directors**

Mr. Tsui Yiu Wa, Alec receives his director's emolument in the amount of RMB240,000 per annum which is determined by the Board with reference to his duties and responsibilities within the Company and the prevailing market condition during his term of office as the independent non-executive Director of the Company.

Mr. Zhang Xinzhi receives his director's emolument in the amount of RMB120,000 per annum which is determined by the Board with reference to his duties and responsibilities within the Company and the prevailing market condition during his term of office as the independent non-executive Director of the Company.

Mr. Li Yongwu does not receive director's emolument during his term of office as the independent non-executive Director of the Company according to his own will and request.

### **Supervisors**

Mr. Yin Jihong will not receive supervisor's emolument during his term of office as the Supervisor of the Company (save and except for the other allowances).

Mr. Huang Jinggui receives supervisor's emolument in the amount of RMB60,000 per annum which is determined by the remuneration committee of the Board with reference to his duties and responsibilities within the Company and the prevailing market price during his term of office as the Supervisor of the Company.

Mr. Zhang Ping will not receive supervisor's emolument during his term as the Supervisor representing employees but only receives remuneration of no more than RMB300,000 per annum with reference to his position in the Company, which is determined according to the internal remuneration regulations of the Company.

By order of the Board  
**China BlueChemical Ltd.\***  
**WU Mengfei**  
*Chairman*

Haikou, Hainan Province, PRC, 26 August 2009

*As at the date of this announcement, the executive directors of China BlueChemical Ltd. are Mr. YANG Yexin, Mr. FANG Yong and Mr. CHEN Kai; the non-executive director is Mr. WU Mengfei; the independent non-executive directors are Mr. TSUI Yiu Wa, Alec, Mr. ZHANG Xinzhi and Mr. LI Yongwu.*

\* *for identification purpose only*