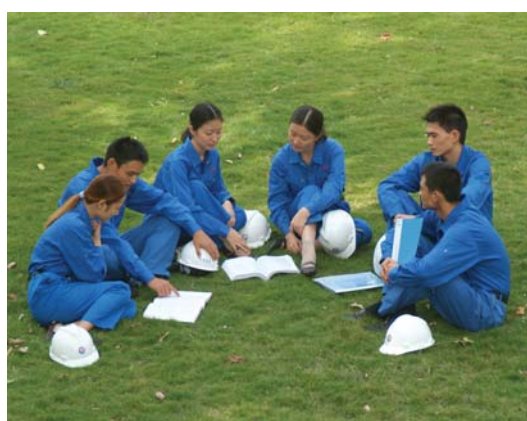


**QUALITY,  
HEALTH, SAFETY AND ENVIRONMENT**



With the management philosophy of “people oriented with safety as the first priority” and its commitment to the nation, society, shareholders and the staff, the Company, in 2006, strengthened quality control and actively established health, safety and environmental protection system and attained the year-end HSE management goal.



## Quality Control

Each of the Company’ s production facilities, including the methanol facility of CNOOC Jiantao, are operating its own quality control department to ensure quality reaching required standards. By consistently implementing the ISO9001 quality control system, the Company achieved its quality targets. In late November 2006, the Company completed the internal examination for the ISO9000/ISO14000 management system, and by early December 2006, the Company passed the external assessment on the ISO9000/ISO14000 system.

In 2006, the Company’ s urea products achieved a quality superiority rate of 99.46% with net weight of each packaged product attaining 100% passing rate.

It is the first time for the country to include urea product in the list of China Famous Brand in 2006. In May, the Company made an application for China Famous Brand for its Fudao brand urea and successfully received the award of “China Famous Brand” in September, becoming one of the first batch and one of the thirteen nitrogenous fertilizer producers in China that attained this accreditation.

## Health, Safety and Environmental Protection

### —(HSE)

In 2006, the Company perfected its HSE system and developed HSE system for CNOOC Jiantao and Hainan Basuo Port Limited (“Basuo Port”).

The Company strengthened its HSE training in 2006 on its contents and the effective use of forms. The Company adopted internal training and organized contests on corporate standard knowledge, with general staff and management involved in cross training while operating staff participated in designated learning to enable effective mastering on procedure and the use of forms, thus, strengthened the staff’ s understanding of the HSE system. In addition, the Company focused on implementation of the HSE system handbook and inspected its progress monthly. The Company organized internal assessment on the HSE system and considered that, through a year of operations, the Company’ s HSE management was enhanced and the system was operating effectively. The Company also corrected nine inconsistencies during the assessment.

The Company completed its annual inspection of occupational health hazards for Fudao Phase I and Fudao Phase II in 2006. In April, the Company was named as “National Occupational Health Model Enterprise” .

In 2006, the Company recorded no fatality, no incidents of material environmental pollution and no occurrence of incidents entailing the liability of more than RMB1 million. Since May 2006, the Company began its OSHA statistics compilation, recording an occupational injury/occupational diseases incident rate of 0.366 with loss of working days of 20.4 days in 2006.

In December 2006, the Company engaged the Haikou Environmental Monitoring Station of the Hainan Province to perform tests on the Company’ s discharge of waste water, emission of gases and noises. The results indicated that all discharge and emission were within the limits set by the State.