中海石油化學股份有限公司
China BlueChemical Ltd.

2009 中期報告
Interim Report

股票代碼 HKSE CODE 3983

Contents

Financial Highlights

Interim consolidated income statement

For the six months ended 30 June 2009
(All amounts expressed in thousands of Renminbi, except for per share data)

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

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

Interim consolidated statement of financial position

At 30 June 2009
(All amounts expressed in thousands of Renminbi)

	30 June 2009 (Unaudited)	31 December 2008 (Audited) As previously reported	31 December 2008 (Audited) Restated (note)
Assets			
Non-current assets	7,739,364	6,668,776	7,696,875
Current assets	5,342,137	5,030,794	5,494,198
Total assets	13,081,501	11,699,570	13,191,073
Equity and liabilities			
Total equity	10,276,867	10,326,821	11,333,072
Non-current liabilities	258,849	410,015	473,420
Current liabilities	2,545,785	962,734	1,384,581
Total equity and liabilities	13,081,501	11,699,570	13,191,073

Note: 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. As the three parities are all ultimately controlled by CNOOC before and after the acquisition, the Company chose to refer to the principles set out in Accounting Guideline when preparing the interim condensed consolidated financial statements 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, thus restated the 2008 interim condensed consolidated financial statements.

Operational Highlights

Production volume

Unit: tonne

Facility	For the six-month period ended 30 June 2009	2008	change (%)
Fertilisers			
Urea			
Fudao Phase I	294,315	267,517	10.0
Fudao Phase II	334,255	443,308	(24.6)
CNOOC Tianye	312,205	280,244	11.4
Group Total	940,775	991,069	(5.1)
Phosphate Fertilisers			
DYK Chemical MAP	11,275	31,414	(64.1)
DYK Chemical DAP	203,367	183,742	10.7
Group Total	214,642	215,156	(0.2)
Chemical Products			
Methanol			
CNOOC Jiantao (note)	286,211	228,285	25.4
CNOOC Tianye	108,484	89,065	21.8
Group Total	394,695	317,350	24.4

Utilisation rate

Unit:%

Facility	For the six-month period ended 30 June 2009	2008	change (%)
Fertilisers			
Urea			
Fudao Phase I	113.2	102.9	10.3
Fudao Phase II	83.6	110.8	(27.2)
CNOOC Tianye	120.1	107.8	12.3
Group Total	102.3	107.7	(5.4)
Phosphate Fertilisers			
DYK Chemical MAP	15.0	41.9	(26.9)
DYK Chemical DAP	116.2	105.0	11.2
Group Total	85.9	86.1	(0.2)
Chemical Products			
Methanol			
CNOOC Jiantao (note)	95.4	103.8	(8.4)
CNOOC Tianye	108.5	89.1	19.4
Group Total	98.7	99.2	(0.5)

Sales volume

Unit: tonne

Facility	For the six-month period ended 30 June 2009	2008	change (%)
Fertilisers			
Urea			
Fudao Phase I	291,001	265,068	9.8
Fudao Phase II	343,909	438,464	(21.6)
CNOOC Tianye	300,846	279,991	7.4
Group Total	935,756	983,523	(4.9)
Phosphate Fertilisers			
DYK Chemical MAP	13,040	17,569	(25.8)
DYK Chemical DAP	174,290	171,202	1.8
Group Total	187,330	188,771	(0.8)
Chemical Products			
Methanol			
CNOOC Jiantao (note)	276,361	223,563	23.6
CNOOC Tianye	103,407	89,621	15.4
Group Total	379,768	313,184	21.3

Note: 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.

CEO's Report

Dear shareholders,

Although the global economic recession had a significant impact on the fertiliser and chemical industries both domestically and globally in the first half year of 2009, we had weathered the difficulties and achieved an outstanding performance in the industry through highly-efficient operation management, vigorous cost control and integrated sales management. Additionally, we had successfully conducted business extension through prudent capital management in the economic downturn, which had laid a solid foundation for the long-term development of our company.

Leading the industry in profitability

For the first half year of 2009, we recorded a revenue of RMB2,828.1 million, which was about the same level as the revenue recorded in the same period of 2008. The net profit attributable to the equity holders of the parent company was RMB527.0 million, which had dropped by 45% compared to the corresponding period in the preceding year.

While our net income had been adversely affected by the global market downturn, we were still capable of maintaining a gross profit margin of 30% in the first half year of 2009, which outperformed our peers in the same industry.

Efficient operations of our production facilities

With our relentless effort towards refined operation management, the actual production volume of urea, phosphate and methanol surpassed our production plan. In particular, the utilization rates of urea and methanol facilities in CNOOC Tianye were 120% and 109%, respectively, which both achieved the new highest records in their history. The utilization rate of urea facility of Fudao Phase I reached 113%, which was 10% increase compared to the corresponding period in the preceding year. The operation of the phosphate facilities remained stable after the acquisition, its utilization rate maintained the same level as that in the corresponding period of last year.

Prudent capital management laid solid foundation for future development

We extended into new business areas and established vertical integration business model to further strengthen our cost competitiveness through mergers and acquisitions ("M & A").

In the first half year of 2009, we successfully extended into the phosphate fertiliser production by acquiring Hubei Dayukou Chemical Co., Ltd. and ZHJ Mining Co., Ltd., a production base with the integration of upstream phosphoric ore mining and downstream phosphate fertiliser production. In addition, we acquired 45% equity interests of Guizhou Jinlin Chemical Co., Ltd. in March 2009, which enables us to acquire phosphoric ore reserves and further build an integrated phosphate fertiliser production base in Guizhou.

To fully implement the strategy of securing natural resource and strengthening cost competitiveness, we acquired 49% equity interests in Shanxi Hualu Yangpoquan Mining Co., Ltd. and 51% equity interests in Shanxi Hualu Coal Chemical Ltd., aiming to build a large scale production base with the integration of coal mining and urea production in the near future.

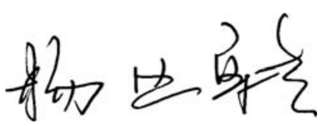
Outlook

The global economy has stabilized and the recovery is expected in the second half of this year. While striving for safe and stable operation of the current production facilities, we will fully leverage the state policies, coupled with an integrated sales management strategy to drive export and winter buffer inventory. We will also keep on pushing forward the Hainan methanol project, the Inner Mongolia POM project, the Hubei phosphate expansion project and the Shanxi urea project, In addition, we will continue to explore and act on, both in China and overseas, M & A opportunities which are in line with our strategic objectives.

By continually executing the development strategies designed by the board， we endeavour to maximize value for our shareholders, provide our customers with the most superior products and services, and demonstrate our commitment as a good corporate citizenship to both employees and the community.

YANG Yexin

CEO & President



Management Discussion and Analysis

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 antidumping 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.

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		
	Production volume *(tonnes)*	Sales volume *(tonnes)*	Utilisation rate *(%)*	Production volume *(tonnes)*	Sales volume *(tonnes)*	Utilisation rate *(%)*
Fertilisers						
Urea						
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	940,775	935,756	102.3	991,069	983,523	107.7
Phosphate Fertilisers						
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	214,642	187,330	85.9	215,156	188,771	86.1
Chemical Products						
Methanol						
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	394,695	379,768	98.7	317,350	313,184	99.2

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.

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 RMB531.1million, 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 after 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 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.

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 DYK 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.

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.

Disclosure of Information of Directors

Pursuant to the disclosure requirements under rule 13.51B(1) of the Listing Rules, the changes of information on directors of the Company are as follows:

Mr. Tsui Yiu Wa, Alec, independent non-executive Director of the Company, has retired from Independent non-executive Director of Vertex Group Limited with effect from 30 April 2009, whose shares are listed on Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the Stock Exchange), Mr. Tsui was appointed as Independent non-executive Director of China Oilfield Services Limited with effect from 3 June 2009, whose shares are listed on the Main Board of the Stock Exchange.

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.

Substantial shareholders' interests

Based on the information available to the Directors or chief executives so far as they were aware, as at 30 June 2009, the shareholders who were interested in 5% or more of the issued shares of the Company as recorded in the register pursuant to Section 336 of the SFO, are as follows:

Name of Substantial Shareholder	Capacity	Number of shares and nature of interests	Class of Shares	Approximate percentage of the relevant class of shares in issue (%)	Approximate percentage of total issued shares (%)
CNOOC (Note 1)	Beneficial owner; security interests in shares through a controlled corporation	2,813,999,878 (L) (Note 2)	Domestic Shares	100(L)	61.04(L)
Commonwealth Bank of Australia	Controlled Corporation Interests	320,524,000 (L) (Note 3)	H share	18.10(L)	6.95(L)
Hang Seng Bank Trustee International Limited	Trustee (other than a bare trustee)	123,074,000 (L) (Note 4)	H share	6.94(L)	2.67(L)
Government of Singapore Investment Corporation Pte Ltd	Investment Manager	90,291,058(L)	H share	5.10(L)	1.96(L)

Notes: (L) The letter "L" denotes long position.

(1) The non-executive Director, Mr. Wu Mengfei, is the Chief Financial Officer of CNOOC. The Chairman of the supervisory committee of the Company, Mr. Yin Jihong, is also the Chairman of the Supervisory Committee of CNOOC.

(2) Out of the 2,813,999,878 domestic shares, 2,738,999,512 shares are held as beneficial owner and 75,000,366 shares are held as having security interests in shares through a controlled corporation, CNOOC Finance Corporation Limited.

(3) These shares are held by a series of controlled corporations of Commonwealth Bank of Australia. The controlled corporations that directly hold shares of the Company are First State Investments (Hong Kong) Ltd, First State Investment Management (UK) Limited, First State Investments International Ltd and First State Investments (Singapore).

(4) These shares are held by Hang Seng Bank Trustee International Limited, which are also deemed to be interested by each of Value Partners Limited, Value Partners Group Limited, Cheah Capital Management Limited, Cheah Company Limited, Mr. Cheah Cheng Hye and Ms. To Hau Yin.

Save as disclosed above and so far as the Directors are aware, as at 30 June 2009, no other person had an interest or short position in the Company's shares or underlying shares which would fall to be disclosed to the Company and HKEx under section 336 of the SFO.

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.

The interests of Directors and Supervisors in contracts

As at 30 June 2009, none of the Directors and Supervisors had a material interest, either directly or indirectly, in any material contract in relation to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party.

Directors' , Supervisors' and Senior Management Members' Interests in shares and short positions

Pursuant to the Company's H-share appreciation rights scheme, details of which were set out in the Company's circular dated 11 January 2008, as at 30 June 2009, the following Directors, Supervisors and senior management were granted share appreciation rights by the Company as follows:

Names of directors	Capacity	Number of share appreciation rights granted (Share)	Approximate percentage of the relevant class of shares in issue (%)	Approximate percentage of total issued shares (%)
WU Mengfei	Chairman and Non-executive Director	1,053,000	0.06	0.02
YANG Yexin	Executive Director, Chief Executive Officer and President	891,000	0.05	0.02
FANG Yong	Executive Director and Executive Vice President	681,000	0.04	0.01
CHEN Kai	Executive Director and Executive Vice President	681,000	0.04	0.01
ZHOU Fan	Executive Vice President	454,000	0.03	0.01
QUAN Changsheng	Chief Financial Officer, Vice President and Board Secretary	616,000	0.03	0.01
HONG Junlian	Vice President	616,000	0.03	0.01
LIANG Mingchu	Vice President	616,000	0.03	0.01
MIAO Qian	Vice President	616,000	0.03	0.01

Save as disclosed above, as at 30 June 2009, none of the Directors, Supervisors and senior management or their associates had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of SFO, or which were required to be entered in the register pursuant to section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

Director's and Supervisors' rights to acquire shares or debentures

As at 30 June 2009, none of the Directors and Supervisors had the rights to acquire shares or debentures.

Report on review of interim condensed consolidated financial statements

ERNST & YOUNG
安永會計師事務所

To the shareholders of China BlueChemical Ltd.

(Established in the People's Republic of China as a joint-stock company with limited liability)

Introduction

We have reviewed the interim condensed consolidated financial statements set out on pages 16 to 50 which comprises the interim consolidated statement of financial position of China BlueChemical Ltd. ("the Company") and its subsidiaries (collectively as "the Group") as at 30 June 2009 and the related interim consolidated statements of income, comprehensive income, changes in equity, the interim condensed consolidated cash flow statement for the six-month period then ended, and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young

Certified Public Accountants

18th Floor, Two International Finance Centre
8 Finance Street, Central
Hong Kong
25 August 2009

Interim consolidated income statement

For the six months ended 30 June 2009

		Six months ended 30 June	
		2009	2008
			Restated
			(Note 3)
		Unaudited	
	Notes	RMB'000	RMB'000
Revenue	5	2,828,139	3,635,701
Cost of sales		(1,968,564)	(2,133,482)
Gross profit		859,575	1,502,219
Other income and gains	5	50,331	42,770
Selling and distribution costs		(58,917)	(53,697)
Administrative expenses		(158,110)	(164,242)
Other expenses		(7,112)	(4,527)
Finance income		17,447	13,948
Finance costs		(14,593)	(10,080)
Net foreign exchange differences		(2,542)	14,201
Share of profits of associates		443	2,785
Profit before tax	6	686,522	1,343,377
Income tax expense	7	(103,414)	(149,956)
Profit for the period		583,108	1,193,421
Attributable to:			
Equity holders of the parent		527,022	1,050,507
Minority interests		56,086	142,914
		583,108	1,193,421
Earnings per share attributable to ordinary equity holders of the parent			
- Basic (RMB)	8	0.11	0.23

Interim consolidated statement of comprehensive income

For the six months ended 30 June 2009

	Notes	Six months ended 30 June 2009 Unaudited RMB'000	2008 Restated (Note 3) Unaudited RMB'000
Profit for the period		583,108	1,193,421
Net gain on available-for-sale investments	9	-	22,932
Income tax		-	(4,970)
		-	17,962
Other comprehensive income for the period, net of tax		-	17,962
Total comprehensive income for the period, net of tax		583,108	1,211,383
Attributable to:			
Equity holders of the parent		527,022	1,067,645
Minority interests		56,086	143,738
		583,108	1,211,383

Interim consolidated statement of financial position

At 30 June 2009

	Notes	30 June 2009 Unaudited RMB'000	31 December 2008 Audited Restated (Note 3) RMB'000
Assets			
Non-current assets			
Property, plant and equipment	10	7,081,154	7,052,332
Prepaid land lease payments	10	422,710	422,262
Intangible assets		119,253	119,156
Investments in associates		13,281	12,839
Available-for-sale investments	11	600	600
Deferred tax assets		102,366	89,686
		7,739,364	7,696,875
Current assets			
Inventories		792,332	836,244
Trade receivables	12	119,772	59,431
Bills receivable		55,674	60,685
Prepayments, deposits and other receivables	13	348,752	277,297
Available-for-sale investments	11	401,933	-
Pledged bank deposits	14	1,346,445	14,246
Cash and cash equivalents	14	2,277,229	4,246,295
		5,342,137	5,494,198
Total assets		13,081,501	13,191,073

Interim consolidated statement of financial position (continued)

At 30 June 2009

	Notes	30 June 2009 Unaudited RMB'000	31 December 2008 Audited Restated (Note 3) RMB'000
Equity and liabilities			
Equity attributable to equity holders of the parent			
Paid-up capital	15	4,610,000	4,610,000
Reserves		4,603,639	5,235,385
Proposed dividend	16	-	437,950
		9,213,639	10,283,335
Minority interests		1,063,228	1,049,737
Total equity		10,276,867	11,333,072
Non-current liabilities			
Benefits liability		63,252	66,413
Interest-bearing bank and other borrowings		-	212,009
Other long-term liabilities		113,665	112,740
Deferred tax liabilities		81,932	82,258
		258,849	473,420
Current liabilities			
Trade payables	17	181,288	131,597
Bills payable	18	1,335,000	-
Other payables and accruals	19	981,335	1,084,329
Interest-bearing bank and other borrowings		-	147,775
Income tax payable		48,162	20,880
		2,545,785	1,384,581
Total liabilities		2,804,634	1,858,001
Total equity and liabilities		13,081,501	13,191,073

Interim consolidated statement of changes in equity

For the six months ended 30 June 2009

	Attributable to equity holders of the parent		
	Paid-up capital RMB'000	Statutory surplus reserves RMB'000	Capital reserve RMB'000
(Unaudited)			
As at 1 January 2009 (Restated) (Note 3)	4,610,000	293,932	2,064,486
Profit for the period	-	-	-
Total comprehensive income	-	-	-
Deemed distribution to the ultimate holding company (Note 3)	-	-	(1,161,018)
Grant from the ultimate holding company	-	-	2,250
Dividend paid to a minority shareholder	-	-	-
Final 2008 dividend paid	-	-	-
As at 30 June 2009	4,610,000	293,932*	905,718*

* These reserve accounts comprise the consolidated reserves of RMB4,603,639,000 (31 December 2008: RMB5,235,385,000) in the interim consolidated statement of financial position.

	Attributable to equity holders of the parent		
	Paid-up capital RMB'000	Statutory surplus reserves RMB'000	Capital reserve RMB'000
(Restated)			
(Unaudited)			
As at 1 January 2008	4,610,000	181,738	1,991,850
Profit for the period	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income	-	-	-
Acquisition of a subsidiary	-	-	-
Capital contribution by a minority shareholder	-	-	-
Final 2007 dividend paid	-	-	-
As at 30 June 2008	4,610,000	181,738	1,991,850

Retained Profits RMB'000	Proposed final dividend RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
2,876,967	437,950	10,283,335	1,049,737	11,333,072
527,022	-	527,022	56,086	583,108
527,022	-	527,022	56,086	583,108
-	-	(1,161,018)	-	(1,161,018)
-	-	2,250	250	2,500
-	-	-	(42,845)	(42,845)
-	(437,950)	(437,950)	-	(437,950)
3,403,989*	-	9,213,639	1,063,228	10,276,867

Other reserves RMB'000	Retained Profits RMB'000	Proposed final dividend RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
-	1,818,652	368,800	8,971,040	557,076	9,528,116
-	1,050,507	-	1,050,507	142,914	1,193,421
17,138	-	-	17,138	824	17,962
17,138	1,050,507	-	1,067,645	143,738	1,211,383
-	-	-	-	363,761	363,761
-	-	-	-	117	117
-	-	(368,800)	(368,800)	-	(368,800)
17,138	2,869,159	-	9,669,885	1,064,692	10,734,577

Interim condensed consolidated cash flow statement

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009	2008 Restated (Note 3)
	Unaudited	
	RMB'000	RMB'000
Net cash inflow from operating activities	1,155,980	1,445,473
Net cash outflow from investing activities	(2,310,129)	(2,959,517)
Net cash outflow from financing activities	(814,917)	(396,232)
Net decrease in cash and cash equivalents	(1,969,066)	(1,910,276)
Cash and cash equivalents at the beginning of the period	4,246,295	2,905,408
Cash and cash equivalents at the end of the period	2,277,229	995,132
Analysis of balances of cash and cash equivalents		
Cash and balances with banks and financial institutions	3,623,674	1,080,789
Less: Pledged time deposits	1,346,445	5,657
Cash and cash equivalents for the interim consolidated statement of financial position	2,277,229	1,075,132
Less: Non-pledged time deposits at banks and financial institutions with original maturity of more than three months when acquired	-	80,000
Cash and cash equivalents for the interim condensed consolidated cash flow statement	2,277,229	995,132

Notes to interim condensed consolidated financial statements

1 Corporate information

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
Subsidiaries:					
CNOOC Fudao Limited	PRC 31 December 2001	463,000	Direct Indirect	100.00 -	Manufacture and sale of fertiliser
CNOOC Kingboard Chemical Limited	PRC 31 October 2003	500,000	Direct Indirect	60.00 -	Manufacture and sale of methanol
Hainan CNOOC Plastic Company Limited	PRC 28 April 2002	12,716	Direct Indirect	100.00 -	Manufacture and sale of woven plastic bags
Hainan CNOOC Transportation Co., Ltd.	PRC 22 October 2001	6,250	Direct Indirect	- 67.26	Provision of transportation services
CNOOC (Hainan) E&P Gas Limited	PRC 8 November 2004	6,900	Direct Indirect	100.00 -	Manufacture and sale of liquid carbon dioxide

Notes to interim condensed consolidated financial statements (continued)

1 Corporate information (continued)

Name	Place and date of establishment	Registered capital RMB'000	Percentage of equity interest attributable to the Company		Principal activities
Subsidiaries: (continued)					
Hainan CNOOC Complex Fertiliser Co., Ltd.	PRC 19 May 2000	7,500	Direct Indirect	100.00 -	Manufacture and sale of compound fertiliser
CNOOC Jincheng Coal Chemical Industry Co., Ltd.	PRC 26 November 2007	800,000	Direct Indirect	75.00 -	Manufacture and sale of fertiliser
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	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 fertiliser
ZHJ Mining Co., Ltd.	PRC 31 July 2006	50,000	Direct Indirect	100.00 -	Exploitation and sale of phosphate ore and phosphate concentrate

Notes to interim condensed consolidated financial statements (continued)

1 Corporate information (continued)

Name	Place and date of establishment	Registered capital RMB'000	Percentage of equity interest attributable to the Company		Principal activities
Associates:					
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
A jointly-controlled entity:					
Guizhou Jinlin Chemical Co., Ltd.	PRC 12 April 2007	235,294	Direct Indirect	45.00 -	Manufacture and sale of phosphorus fertiliser

Notes to interim condensed consolidated financial statements (continued)

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.

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.

Notes to interim condensed consolidated financial statements (continued)

2 Basis of preparation and accounting policies (continued)

Significant accounting policies (continued)

IAS 23 B*orrowing 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.

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 IASB has also issued Improvements to 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.

Notes to interim condensed consolidated financial statements (continued)

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 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") fertiliser.

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

Notes to interim condensed consolidated financial statements (continued)

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

	The Group As previously reported RMB'000	DYK Chemical RMB'000	ZHJ Mining RMB'000	Total RMB'000	Consolidation adjustments RMB'000	As restated RMB'000
Assets						
Non-current assets						
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	42,101	42,556	5,029	89,686	-	89,686
	6,668,776	881,078	147,021	7,696,875	-	7,696,875
Current assets						
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	4,177,279	66,316	2,700	4,246,295	-	4,246,295
	5,030,794	446,013	18,346	5,495,153	(955)	5,494,198
Total assets	**11,699,570**	**1,327,091**	**165,367**	**13,192,028**	**(955)**	**13,191,073**

Notes to interim condensed consolidated financial statements (continued)

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 RMB'000	DYK Chemical RMB'000	ZHJ Mining RMB'000	Total RMB'000	Consolidation adjustments RMB'000	As restated RMB'000
Equity and liabilities						
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
Total equity	10,326,821	880,216	126,035	11,333,072	-	11,333,072
Non-current liabilities						
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
	410,015	49,458	13,947	473,420	-	473,420
Current liabilities						
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
	962,734	397,417	25,385	1,385,536	(955)	1,384,581
Total liabilities	1,372,749	446,875	39,332	1,858,956	(955)	1,858,001
Total equity and liabilities	11,699,570	1,327,091	165,367	13,192,028	(955)	13,191,073

Notes to interim condensed consolidated financial statements (continued)

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	DYK Chemical	ZHJ Mining	Total	Consolidation adjustments	As restated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	2,832,660	766,392	51,832	3,650,884	(15,183)	3,635,701
Cost of sales	(1,519,584)	(612,056)	(17,025)	(2,148,665)	15,183	(2,133,482)
Gross profit	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	2,785	-	-	2,785	-	2,785
Profit before tax	1,210,326	113,977	19,074	1,343,377	-	1,343,377
Income tax expense	(115,567)	(28,814)	(5,575)	(149,956)	-	(149,956)
Profit for the period	1,094,759	85,163	13,499	1,193,421	-	1,193,421
Attributable to:						
Equity holders of the parent	966,178	85,163	13,499	1,064,840	(14,333)	1,050,507
Minority interests	128,581	-	-	128,581	14,333	142,914
	1,094,759	85,163	13,499	1,193,421	-	1,193,421

Notes to interim condensed consolidated financial statements (continued)

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 fertiliser;

(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:

Notes to interim condensed consolidated financial statements (continued)

4 Segment information (continued)

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

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

Notes to interim condensed consolidated financial statements (continued)

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:

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

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.

Notes to interim condensed consolidated financial statements (continued)

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	
	RMB'000	RMB'000
Revenue		
Sale of goods	2,731,470	3,532,005
Rendering of services	96,669	103,696
	2,828,139	3,635,701
Other income and gains		
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
	50,331	42,770

Notes to interim condensed consolidated financial statements (continued)

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	
	RMB'000	RMB'000
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	(822)	2,575

Notes to interim condensed consolidated financial statements (continued)

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 Kingboard Chemical Limited ("CNOOC Kingboard"), 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 Kingboard 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	103,414	149,956

Notes to interim condensed consolidated financial statements (continued)

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 Components of other comprehensive income

	Six months ended 30 June	
	2009	2008 Restated
	Unaudited	
	RMB'000	RMB'000
Available-for-sale investments:		
Gains arising during the year	**16,717**	48,853
Less: Reclassification adjustments for gains included in the income statement	**(16,717)**	(25,921)
	-	22,932

10 Property, plant and equipment and prepaid land lease payments

During the six months ended 30 June 2009, the Group acquired property, plant and equipment including construction in progress with an aggregate cost amounting to approximately RMB386,148,000 (Six months ended 30 June 2008: RMB284,765,000). Property, plant and equipment amounting to RMB4,310,000 (Six months ended 30 June 2008: RMB2,727,000) were disposed of for the six months ended 30 June 2009.

As at 30 June 2009, the Group has yet to obtain building ownership certificates for certain buildings resulted from the acquisition of CNOOC Kingboard, with an aggregate net book value of approximately RMB41,332,000 (31 December 2008: RMB 21,097,000).

Notes to interim condensed consolidated financial statements (continued)

11 Available-for-sale investments

	30 June 2009	31 December 2008
	Unaudited	Audited
		Restated
	RMB'000	RMB'000
Current		
Unlisted investments	401,933	-
Non-current		
Unlisted equity investments, at cost	600	600
	402,533	600

The unlisted investments consist of placement in structured deposits and bonds with no quoted market prices. The fair value of unlisted investments has been estimated using a valuation technique which requires management to make estimates about the expected future cash flows discounted at current rates.

The unlisted equity investments are accounted for at cost less accumulated impairment losses as such investments do not have quoted market prices in an active market and their fair values cannot be reliably measured.

Notes to interim condensed consolidated financial statements (continued)

12 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:

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

As at 30 June 2009, the amount due from a CNOOC group company included in the above trade receivable balances was RMB6,186,000 (31 December 2008: RMB3,515,000). The amount due from an associate included in the above trade receivable balances was RMB781,000 (31 December 2008: RMB106,000). The amounts due are unsecured, non-interest-bearing and repayable on similar credit terms to those offered to the major customers of the Group.

Notes to interim condensed consolidated financial statements (continued)

13 Prepayments, deposits and other receivables

	30 June 2009	31 December 2008
	Unaudited	Audited
		Restated
	RMB'000	RMB'000
Prepayments	**245,523**	215,308
Deposits and other receivables	**103,229**	61,989
	348,752	277,297

The above assets are net of impairment of prepayments, deposits and other receivables. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

The amounts due from the ultimate holding company, CNOOC group companies, CNOOC Finance Corporation Limited ("CNOOC Finance") and an associate included in the above table can be analyzed as follows:

	30 June 2009	31 December 2008
	Unaudited	Audited
		Restated
	RMB'000	RMB'000
Ultimate holding company	**3,014**	374
CNOOC group companies	**12,524**	15,370
An associate	**-**	110
	15,538	15,854

The amounts due are unsecured, non-interest-bearing and have no fixed terms of repayment.

Notes to interim condensed consolidated financial statements (continued)

14 Cash and cash equivalents and pledged bank deposits

As at 30 June 2009, the Group's pledged time deposits of RMB 1,346,445,000 (31 December 2008: RMB14,246,000) were deposited to banks primarily for issuing bank acceptance notes.

The Group's cash and bank balances are denominated in RMB as at 30 June 2009 and 31 December 2008, except for the amount of RMB 1,050,000 (31 December 2008: RMB59,937,000) which is translated from USD 154,000(31 December 2008: USD8,770,000); and the amount of RMB 2,079,000(31 December 2008: RMB2,584,000) which is translated from HKD 2,366,000 (31 December 2008: HKD2,930,000).

The RMB is not freely convertible into other currencies. However, under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

As at 30 June 2009, included in the Group's cash and cash equivalents was an amount of RMB322,606,000 (31 December 2008: RMB216,111,000) deposited with CNOOC Finance. The deposits with CNOOC Finance are entitled to interest at the rates similar to the prevailing bank deposit rates and are held for terms ranging from one day to six months.

15 Paid-up capital

	Number of shares '000	Nominal value RMB'000
Registered capital	4,610,000	4,610,000
Issued and fully paid:		
Domestic shares of RMB1 each, currently not listed:		
- State-owned shares	2,739,000	2,739,000
- Other legal person shares	75,000	75,000
Unlisted foreign shares of RMB1 each	25,000	25,000
H shares of RMB1 each	1,771,000	1,771,000
As at 30 June 2009	4,610,000	4,610,000

Notes to interim condensed consolidated financial statements (continued)

16 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).

17 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:

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

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

As at 30 June 2009, the amount due to CNOOC group companies included in the above trade payable balances was RMB41,268,000(31 December 2008: RMB74,001,000).

18 Bills payable

Bills payable represents the bank acceptance notes of RMB1,335,000,000 (31 December 2008: Nil), including RMB1,070,000,000 related to the Acquisition as disclosed in Note 3 and RMB265,000,000 related to the purchase of natural gas from a fellow subsidiary.

Notes to interim condensed consolidated financial statements (continued)

19 Other payables and accruals

	30 June 2009 Unaudited RMB'000	31 December 2008 Audited Restated RMB'000
Advances from customers	332,982	399,878
Payable to a minority shareholder	25,350	-
Accruals	10,020	5,452
Accrued payroll	170,564	197,318
Port construction fee payable	167,640	164,656
Tax payables	22,880	20,897
Due to the ultimate holding company	-	2,448
Due to CNOOC group companies	16,754	29,946
Due to an associate	19,599	6,608
Payables in relation to the construction and purchase of property, plant and equipment	115,989	129,882
Payables related to share-based payment	1,530	884
Long-term liabilities due within one year	40,000	40,000
Payable to government department	19,000	36,000
Other payables	39,027	50,360
	981,335	1,084,329

Notes to interim condensed consolidated financial statements (continued)

20 Related party transactions

The Group had the following material transactions with related parties:

(1) Recurring

	Notes	Six months ended 30 June 2009 Unaudited RMB'000	2008 Restated Unaudited RMB'000
(A) Included in revenue, other income and gains			
(a) CNOOC group companies*			
Sale of goods	(i)	3,796	15,473
Provision of transportation services	(ii)	1,275	2,229
Provision of packaging and assembling services	(iii)	7,467	2,310
Provision of logistics services	(iii)	796	-
		13,334	20,012
(b) Associates			
Sale of goods	(i)	160,303	109,801
Provision of transportation services	(ii)	6,733	6,510
Provision of packaging and assembling services	(iii)	-	293
		167,036	116,604
(B) Included in cost of sales and other expenses			
(a) CNOOC group companies*			
Purchase of raw materials	(i)	395,692	522,971
Transportation services	(ii)	3,933	8,556
Lease of offices	(iv)	-	1,375
Construction and installation services	(v)	27,856	11,608
Labour services	(vi)	19,098	13,621
Logistics services	(vi)	2,316	1,114
Network services		330	-
		449,225	559,245
(b) Associates			
Purchase of raw materials		204	4,096
		204	4,096

Notes to interim condensed consolidated financial statements (continued)

20 Related party transactions (continued)

(1) Recurring (continued)

	Notes	Six months ended 30 June 2009 Unaudited RMB'000	2008 Restated Unaudited RMB'000
(C) Included in finance income/costs			
CNOOC Finance			
Finance income	(vii)	632	1,824
Finance costs	(vii)	-	945

* CNOOC group companies are defined as the Group's related companies which CNOOC is able to exert control or significant influence over.

Notes:

(i) These transactions were conducted in accordance with terms agreed between the Group, its associates and CNOOC group companies.

(ii) Transportation services was based on mutually agreed terms with reference to the market rate.

(iii) Income from these sales and services was determined by mutually agreed terms.

(iv) Rental fees were based on mutually agreed terms with reference to the market rate.

(v) The construction and installation fees were determined by market prices.

(vi) These services were charged based on mutually agreed terms.

(vii) Finance income/costs were based on mutually agreed terms with reference to the market rate for corresponding amounts and periods.

Notes to interim condensed consolidated financial statements (continued)

20 Related party transactions (continued)

(2) Non-recurring

	Notes	Six months ended 30 June 2009 Unaudited RMB'000	2008 Restated Unaudited RMB'000
Provision of utilities to a CNOOC group company	(i)	1,429	212
Fees and charges paid to a CNOOC group company	(ii)	725	614

Notes:

(i) The transaction was conducted in accordance with terms agreed between the Group and CNOOC group companies.

(ii) Fees and charges were based on mutually agreed terms.

(3) Balances with related parties

Except for the balances with CNOOC Finance, one of the CNOOC group companies, the balances due from/to related parties of the Group mainly resulted from trading transactions and miscellaneous amounts reimbursable by/to these related parties. Further details are set out in notes 12, 13, 17 and 19 to the financial statements.

	Due from related parties		Due to related parties	
	30 June 2009	31 December 2008	30 June 2009	31 December 2008
	Unaudited	Audited Restated	Unaudited	Audited Restated
	RMB'000	RMB'000	RMB'000	RMB'000
The ultimate holding company	3,014	374	-	2,448
CNOOC group companies (excluding CNOOC Finance)	18,710	18,885	58,022	103,947
Associates	781	216	19,599	6,608

As at 30 June 2009, the deposits placed by the Group with CNOOC Finance amounted to RMB322,606,000 (31 December 2008: RMB216,111,000). The deposits with CNOOC Finance are entitled to the interest at the rates similar to the prevailing bank deposit rates and are held for terms ranging from one day to six months.

Notes to interim condensed consolidated financial statements (continued)

20 Related party transactions (continued)

(4) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2009	2008 Restated
	Unaudited	
	RMB'000	RMB'000
Short-term employee benefits	**1,604**	1,040
Post-employment benefits	**130**	106
Cash-settled share option expense	**646**	856
Total compensation paid to key management personnel	**2,380**	2,002

(5) Transactions with other state-owned enterprises in the PRC

The Group operates in an economic environment predominated by enterprises directly or indirectly owned or controlled by the PRC government through its numerous authorities, affiliates or other organisations (collectively the "State-owned Enterprises"). During the six months ended 30 June 2009, the Group had transactions with the State-owned Enterprises including, but not limited to, the sale of fertiliser and purchases of raw materials. The directors consider that transactions with such other State-owned Enterprises are activities in the ordinary course of the Group's business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and such other State-owned Enterprises are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for products and services, and such pricing policies do not depend on whether or not the customers are State-owned Enterprises. Having due regard to the substance of the relationships, the directors are of the opinion that none of these transactions are material related party transactions that require separate disclosure.

Notes to interim condensed consolidated financial statements (continued)

21 Commitments and contingent liabilities

(a) Capital commitments

As at 30 June 2009, the Group had the following capital commitments, principally relating to the construction or purchases of property, plant and equipment:

	30 June 2009	31 December 2008
	Unaudited	Audited
		Restated
	RMB'000	RMB'000
Contracted, but not provided for:		
- Acquisition of land and buildings	76,660	196
- Acquisition of plant and machinery	1,058,350	1,497,613
- Others	55,920	-
	1,190,930	1,497,809
Authorised, but not contracted for:		
- Acquisition of land and buildings	318,220	41,010
- Acquisition of plant and machinery	2,005,461	2,312,790
- Others	7,000	-
	2,330,681	2,353,800
	3,521,611	3,851,609

(b) Operating lease commitments

As at 30 June 2009, the Group had no significant future minimum lease payments under non-cancellable operation leases.

(c) Contingent liabilities

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

Notes to interim condensed consolidated financial statements (continued)

22 Events after balance sheet date

On 30 July 2009, the Company entered into an equity transfer agreement with Shanxi Hualu Thermoelectricity Co., Ltd. ("Shanxi Hualu"), pursuant to which the Company acquired 49% of the equity interest in Shanxi Hualu Yangpoquan Coal Mining Co., Ltd. ("Yangpoquan Coal "), a company previously fully owned by Shanxi Hualu. The total consideration paid for the equity transfer was RMB637,000,000.

On the same day, the Company entered into a capital injection agreement with Shanxi Hualu, pursuant to which the Company acquired 51% of the equity interest in Shanxi Hualu Coal Chemical Ltd. ("Hualu Coal Chemical"), a company previously fully owned by Shanxi Hualu, and became its controlling shareholder. The total consideration paid for the capital injection was RMB40,591,837.

Yangpoquan Coal is principally engaged in the mining and sale of coal; Hualu Coal Chemical is principally engaged in the production and sale of chemical materials.

23 Approval of interim condensed consolidated financial statements

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 25 August 2009.

Company Information

Registered Office	No.1 Zhu Jiang South Street, Dongfang City, Hainan Province, The PRC
Principal place of business in the PRC	No.1 Zhu Jiang South Street, Dongfang City, Hainan Province, The PRC
Representative Office in Hong Kong	65/F., Bank of China Tower, No.1 Garden Road, Central, Hong Kong
Joint Company Secretaries	QUAN Changsheng LEE Tze Leung, Raymond(ACCA,CPA)
Qualified Accountant	LEE Tze Leung, Raymond(ACCA,CPA)
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Alternate authorized representative	ZHONG Yingxin 8D, Manrich Court 33, St. Francis Street, Wanchai, Hong Kong
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Hong Kong & US law legal adviser	Baker & McKenzie 23th Floor, One Pacific Place, 88 Queensway, Hong Kong
The PRC law legal adviser	Jun He Law Offices China Resources Building, 20th Floor, 8 Jianguomenbei Avenue
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