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(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock code: 3983)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011

FINANCIAL HIGHLIGHTS

1. Revenue amounted to RMB4,756.6 million
2. Gross profit amounted to RMB1,697.0 million
3. Net profit attributable to owners of the parent amounted to RMB1,030.3 million
4. Basic earnings per share was RMB0.22

(I) UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**Interim condensed consolidated income statement***For the six months ended 30 June 2011*

		Six months ended 30 June	
		2011	2010
		Unaudited	Unaudited
	<i>Notes</i>	RMB'000	RMB'000
Revenue	4	4,756,558	2,954,921
Cost of sales		(3,059,567)	(2,043,635)
Gross profit		1,696,991	911,286
Other income and gains	4	61,993	26,565
Selling and distribution costs		(77,936)	(54,659)
Administrative expenses		(191,301)	(163,855)
Other expenses		(10,259)	(7,313)
Finance income		5,655	5,547
Finance costs		(2,622)	(768)
Exchange gains/(losses), net		149	(220)
Share of profits of associates		50	28,449
Profit before tax	5	1,482,720	745,032
Income tax expense	6	(326,607)	(126,810)
Profit for the period		1,156,113	618,222
Attributable to:			
Owners of the parent		1,030,292	533,303
Non-controlling interests		125,821	84,919
		1,156,113	618,222
Earnings per share attributable to ordinary owners of the parent			
— Basic(<i>RMB</i>)	7	0.22	0.12

Interim condensed consolidated statement of comprehensive income
For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	Unaudited	Unaudited
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	<u>1,156,113</u>	<u>618,222</u>
Other comprehensive income for the period, net of tax	<u>—</u>	<u>78</u>
Total comprehensive income for the period, net of tax	<u>1,156,113</u>	<u>618,300</u>
Attributable to:		
Owners of the parent	1,030,292	533,343
Non-controlling interests	<u>125,821</u>	<u>84,957</u>
	<u>1,156,113</u>	<u>618,300</u>

Interim condensed consolidated statement of financial position

As at 30 June 2011

		30 June 2011	31 December 2010
		Unaudited	Audited
	Note	RMB'000	RMB'000
Assets			
Non-current assets			
Property, plant and equipment		8,971,204	8,944,151
Investment properties		1,987	2,041
Mining rights		483,563	484,136
Prepaid land lease payments		470,378	475,902
Intangible assets		7,808	10,856
Investments in associates		654,743	654,693
Available-for-sale investments		600	600
Deferred tax assets		78,214	78,446
		<u>10,668,497</u>	<u>10,650,825</u>
Current assets			
Inventories		934,847	983,644
Trade receivables	8	169,425	105,705
Bills receivable		55,276	35,700
Prepayments, deposits and other receivables		613,264	296,649
Available-for-sale investments		393,428	—
Pledged bank deposits		2,584	8,556
Time deposits		221,280	58,500
Cash and cash equivalents		2,234,523	2,387,092
		<u>4,624,627</u>	<u>3,875,846</u>
Total assets		<u><u>15,293,124</u></u>	<u><u>14,526,671</u></u>

Interim condensed consolidated statement of financial position (continued)

As at 30 June 2011

		30 June	31 December
		2011	2010
		Unaudited	Audited
	<i>Notes</i>	RMB'000	RMB'000
Equity and liabilities			
Equity attributable to owners of the parent			
Issued capital		4,610,000	4,610,000
Reserves		6,578,129	5,541,238
Proposed dividends	9	—	414,900
		11,188,129	10,566,138
Non-controlling interests		1,323,550	1,355,866
Total equity		12,511,679	11,922,004
Non-current liabilities			
Benefits liability		52,183	57,607
Interest-bearing bank and other borrowings		225,000	335,700
Other long-term liabilities		123,076	113,200
Deferred tax liabilities		72,535	73,588
		472,794	580,095
Current liabilities			
Interest-bearing bank and other borrowings		292,708	—
Trade payables	10	285,793	222,684
Other payables and accruals		1,559,625	1,683,101
Income tax payable		170,525	118,787
		2,308,651	2,024,572
Total liabilities		2,781,445	2,604,667
Total equity and liabilities		15,293,124	14,526,671

(II) NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 Corporate information

China BlueChemical Ltd. (the “Company”) was established in the People’s Republic of China (the “PRC”) on 3 July 2000 as a limited liability company under the name of CNOOC Chemical Limited (中海石油化學有限公司). The Company was restructured and its name was changed to China BlueChemical Ltd. (中海石油化學股份有限公司) on 25 April 2006. The registered office of the Company is located at No. 1 Zhu Jiang South Street, Dongfang City, Hainan Province, the PRC.

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

The Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are principally engaged in the manufacture and sale of urea, phosphorus fertiliser 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 2011, particulars of the subsidiaries, associates, and a jointly-controlled entity are as follows:

Name	Place and date of establishment and operation	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 fertilisers
Hainan CNOOC Plastic Co., Ltd.	PRC 28 April 2002	12,716	Direct Indirect	100.00 —	Manufacture and sale of woven plastic bags
Hainan CNOOC Complex Fertiliser Co., Ltd.	PRC 19 May 2000	7,500	Direct Indirect	100.00 —	Manufacture and sale of BB fertiliser
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 liquidised carbon dioxide
CNOOC Jincheng Coal Chemical Industry Co., Ltd.	PRC 26 November 2007	160,000	Direct Indirect	75.00 —	Manufacture and sale of fertilisers
Hainan Basuo Port Limited	PRC 25 April 2005	514,034	Direct Indirect	73.11 —	Port operation
CNOOC Tianye Chemical Limited	PRC 18 December 2000	1,780,000	Direct Indirect	90.00 —	Manufacture and sale of fertilisers 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

Name	Place and date of establishment and operation	Registered capital RMB'000	Percentage of equity interest attributable to the Company		Principal activities
CNOOC Kingboard Chemical Limited	PRC 31 October 2003	500,000	Direct Indirect	60.00 —	Manufacture and sale of methanol
China BlueChemical Yichang Mining Ltd.	PRC 7 August 2008	50,000	Direct Indirect	51.00 —	Phosphate mining, mineral processing and sale of phosphate ore
Shanghai Qionghua Trading Co., Ltd.	PRC 7 January 2002	27,000	Direct Indirect	— 90.93	Sale of fertilisers
China BlueChemical Baotou Coal Chemical Industry Co., Ltd.	PRC 11 September 2008	100,000	Direct Indirect	100.00 —	Sale 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
CNOOC Hualu Shanxi Coal Chemical Co., Ltd.	PRC 29 November 2005	61,224	Direct Indirect	51.00 —	Preparatory work for a methanol and dimethyl ether project
Hubei Dayukou Chemical Co., Ltd.	PRC 12 August 2005	1,050,624	Direct Indirect	83.97 —	Phosphate mining and processing, sale of MAP and DAP fertilisers
Guangxi Fudao Agricultural Means of Production Limited	PRC 11 January 2003	20,000	Direct Indirect	— 51.00	Trading of fertilisers
Guangxi Fudao Chemical Limited	PRC 8 February 2006	3,000	Direct Indirect	— 45.90	Trading of fertilisers and chemicals
Guilin Fudao Agriculture Means of Production Limited	PRC 10 March 2004	1,000	Direct Indirect	— 35.70	Trading of fertilisers
CNOOC Guangxi Fertilizer and Technology Limited	PRC 25 December 2009	2,000	Direct Indirect	— 51.00	Manufacture and sale of fertilisers
Hegang Huahe Coal Chemical Ltd.	PRC 26 May 2006	100,000	Direct Indirect	80.00 —	Manufacture and sale of fertilisers
Associates:					
Shanxi Hualu Yangpoquan Coal Mining Co., Ltd.	PRC 3 August 2001	52,000	Direct Indirect	49.00 —	Mining and sale of coal
China Basuo Overseas 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 fertilisers

2 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2011 have been prepared in accordance with 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 2010.

2.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the six-month period ended 30 June 2011. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated units until the date that such control ceases.

The Group’s interest in its jointly-controlled entity is accounted for by proportionate consolidation from the date on which joint control over the jointly-controlled entity is established, which involves recognising in the consolidated financial statements a proportionate share of the jointly-controlled entity’s assets, liabilities, income and expenses with similar items on a line-by-line basis.

All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Non-controlling interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company’s subsidiaries.

2.2 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 2010, except for the adoption of new standards and interpretations as of 1 January 2011, noted below:

IAS 24 Amendments	Amendments to IAS 24 — <i>Related Party Disclosures</i>
IAS 32 Amendments	Amendments to IAS 32 — <i>Financial Instruments: Presentation</i>
IFRIC 14 Amendments	Amendments to IFRIC 14 — <i>Prepayments of a Minimum Funding Requirement</i>
Improvements to IFRSs (issued in May 2010)*	Amendments to a number of IFRSs

* Improvements to IFRSs 2010 contain amendments to IFRS3, IFRS7, IAS 1, and IAS 34.

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but did not have any impact on the financial position or performance of the Group.

IFRS 3 Business Combinations: The measurement options available for non-controlling interest (NCI) have been amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity’s net assets in the event of liquidation shall be measured at either fair value or at the present ownership instruments’ proportionate share of the acquiree’s identifiable net assets. All other components are to be measured at their acquisition date fair value.

IFRS 7 Financial Instruments — Disclosures: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.

IAS 1 *Presentation of Financial Statements*: The amendment clarifies that an option to present an analysis of each component of other comprehensive income may be included either in the statement of changes in equity or in the notes to the financial statements.

IAS 34 *Interim Financial Statements (Amendment)* requires additional disclosures for fair values and changes in classification of financial assets, as well as changes to contingent assets and liabilities in interim condensed financial statements.

The adoption of these new and revised IFRSs has had no significant effect on these unaudited interim condensed financial statements and there have been no significant changes to the accounting policies applied in these unaudited condensed financial statements.

3 Operating segment information

For management purposes, the Group is organised into business units based on their products and services and has reportable operating segments as follows:

- (a) the urea segment is engaged in the manufacture and sale of urea;
- (b) the phosphorus fertiliser segment is engaged in the manufacture and sale of mono-ammonium phosphate (“MAP”) and di-ammonium phosphate (“DAP”) fertiliser;
- (c) the methanol segment is engaged in the manufacture and sale of methanol; and
- (d) the “others” segment mainly comprises segments engaged in trading, port operation, the provision of transportation services and the manufacture and sale of woven plastic bags and BB fertiliser.

No operating segments have been aggregated to form the above reportable operating segments.

Management of the Company monitors the operating results of its business units separately for the purpose of making decisions on resources allocation and performance assessment. Segment performance is evaluated based on operating profit or loss listed below and is measured consistently with adjusted operating profit or loss in the interim condensed consolidated financial statements. However, the Group’s 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.

Business segments

(Unaudited)	Phosphorus					Total
	Urea	fertiliser	Methanol	Others	Elimination	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended 30 June 2011						
Segment revenue:						
Sales to external customers	1,920,230	667,137	1,682,193	486,998	—	4,756,558
Inter-segment sales	27,745	1,887	14,319	90,387	¹ (134,338)	—
Total	<u>1,947,975</u>	<u>669,024</u>	<u>1,696,512</u>	<u>577,385</u>	<u>(134,338)</u>	<u>4,756,558</u>
Segment results:						
Segment profit before tax	<u>705,957</u>	<u>99,061</u>	<u>659,932</u>	<u>51,698</u>	<u>²(33,928)</u>	<u>1,482,720</u>
As at 30 June 2011						
Segment assets	<u>3,796,630</u>	<u>2,095,309</u>	<u>3,365,441</u>	<u>3,098,385</u>	<u>³2,937,359</u>	<u>15,293,124</u>

1. Inter-segment sales are eliminated on consolidation.
2. Profit for each operating segment does not include interest, dividend income and unallocated gains (RMB20,036,000), corporate and other unallocated expenses (RMB51,491,000), finance costs (RMB2,622,000), and net foreign exchange gains (RMB149,000).
3. Segment assets do not include interest receivables (RMB47,000), deferred tax assets (RMB78,214,000), available-for-sale financial assets (RMB394,028,000), cash and bank (RMB1,779,266,000), assets of centralised cost centre (RMB848,084,000), and inter-segment balances (RMB162,280,000).

(Unaudited)	Phosphorus					Total
	Urea	fertiliser	Methanol	Others	Elimination	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended 30 June 2010						
Segment revenue:						
Sales to external customers	1,506,224	513,949	735,290	199,458	—	2,954,921
Inter-segment sales	14,972	—	12,139	69,126	¹ (96,237)	—
Total	<u>1,521,196</u>	<u>513,949</u>	<u>747,429</u>	<u>268,584</u>	<u>(96,237)</u>	<u>2,954,921</u>
Segment results:						
Segment profit before tax	<u>509,144</u>	<u>63,995</u>	<u>189,010</u>	<u>25,680</u>	<u>²(42,797)</u>	<u>745,032</u>
As at 31 December 2010						
Operating assets	<u>5,334,868</u>	<u>1,811,115</u>	<u>3,395,500</u>	<u>3,052,335</u>	<u>³932,853</u>	<u>14,526,671</u>

1. Inter-segment sales are eliminated on consolidation.
2. Profit for each operating segment does not include interest, dividend income and unallocated gains (RMB16,363,000), corporate and other unallocated expenses (RMB58,172,000), finance costs (RMB768,000) and net exchange losses (RMB220,000).
3. Segment assets do not include interest receivables (RMB580,000), deferred tax assets (RMB78,446,000), available-for-sale financial assets (RMB600,000), cash and bank (RMB50,503,000), assets of centralised cost centre (RMB852,408,000), and inter-segment balances (RMB49,684,000).

4 Revenue, other income and gains

Revenue, which is also the Group's turnover, represents the invoiced values of goods sold, net of value added tax ("VAT"), after allowances for returns and discounts; and the value of services rendered during the year.

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

	Six months ended 30 June	
	2011	2010
	Unaudited	Unaudited
	RMB'000	RMB'000
Revenue		
Sale of goods	4,538,151	2,838,718
Rendering of services	218,407	116,203
	<u>4,756,558</u>	<u>2,954,921</u>
Other income and gains		
Gain on disposal of unlisted investments	39,608	17,543
Income from sale of other materials	6,939	6,282
Income from rendering of other services	3,545	—
Gain on disposal of items of property, plant and equipment	—	262
Rental income	1,081	—
Government grant	9,807	381
Others	1,013	2,097
	<u>61,993</u>	<u>26,565</u>

5. Profit before tax

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

	Six months ended 30 June	
	2011	2010
	Unaudited	Unaudited
	RMB'000	RMB'000
Cost of inventories sold	2,857,436	1,954,633
Cost of services provided	185,432	89,002
Depreciation	403,662	352,766
Amortisation of intangible assets	3,620	3,575
Amortisation of prepaid land lease payments	5,573	5,757
Net foreign exchange differences	(149)	220

6 Income tax expense

Major components of income tax expense for the six months ended 30 June 2011 and 2010 are as follows:

	Six months ended 30 June	
	2011	2010
	Unaudited	Unaudited
	RMB'000	RMB'000
Current — PRC		
Charge for the year	327,428	123,690
Deferred	(821)	3,120
	<u>326,607</u>	<u>126,810</u>
Total tax charge for the year	<u>326,607</u>	<u>126,810</u>

(a) Corporate income tax (“CIT”)

During the 5th Session of the 10th National People’s Congress, which concluded on 16 March 2007, the PRC Corporate Income Tax Law (the “New Corporate Income Tax Law”) was approved and became effective on 1 January 2008. The New Corporate Income Tax (“CIT”) Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%.

According to the document Finance Taxes [2008] No. 21 issued by the Ministry of Finance and the State Administration of Taxation on 20 February 2008, certain companies are entitled to preferential CIT rates of 18%, 20%, 22% and 24% for the years 2008, 2009, 2010 and 2011, respectively. A CIT rate of 25% will be applied from 2010 onwards. The Company and its two subsidiaries, Hainan CNOOC Complex Fertiliser Co., Ltd. and Hainan CNOOC Plastic Co., Ltd., are entitled to a transitional CIT rate of 24% during the six months ended 30 June 2011.

CNOOC Tianye Chemical Limited (“CNOOC Tianye”), the Company’s subsidiary, is entitled to a preferential CIT rate of 15% for the three years ending 31 December 2011 after being assessed as a high and new technology enterprise.

Hubei Dayukou Chemical Co.,Ltd. (“DYK Chemical”), the Company’s subsidiary, is entitled to a preferential CIT rate of 15% for the year 2011 after being assessed as a high and new technology enterprise.

Hainan Basuo Port Limited, the Company’s subsidiary, is exempted from CIT for the five years ended 31 December 2009 and a 50% reduction in the applicable CIT rate for the five years ending 31 December 2014 as the company is engaged in infrastructure development and operation.

CNOOC Kingboard Chemical Limited (“CNOOC Jiantao”), the Company’s subsidiary, is a foreign investment enterprise and is exempted from CIT for the first two profitable years and a 50% reduction in the applicable CIT rate for the subsequent three years. CNOOC Jiantao has elected to benefit from the tax holiday starting from the year ended 31 December 2007. The year 2011 is the last year for CNOOC Jiantao to enjoy the 50% reduction in the applicable CIT rate of 24%.

CNOOC (Hainan) E&P Gas Limited (“CNOOC E&P”), the Company’s subsidiary, is entitled to a two-year income tax exemption followed by a three-year 50% reduction in the applicable CIT rate commencing from the first profitable year. CNOOC E&P has elected to benefit from the tax holiday starting from the year ended 31 December 2008. This is the second year for CNOOC E&P to enjoy the 50% reduction in the applicable CIT rate of 24%.

(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 2011.

7 Earnings per share attributable to ordinary owners of the parent

The calculation of basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent for the six months ended 30 June 2011 of approximately RMB1,030,292,000 (six months ended 30 June 2010: RMB533,303,000) and the 4,610,000,000 ordinary shares in issue during the period (six months ended 30 June 2010: 4,610,000,000).

Diluted earnings per share amounts for the six months ended 30 June 2011 and 2010 have not been calculated because no diluting events existed during those periods.

8 Trade receivables

Sales of the Group's fertilisers including urea, MAP and DAP 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 methanol customers are mainly on credit. The credit period is generally one month, except for some high-credit customers, where payments may be extended.

An aging analysis of trade receivables as at the end of the reporting period, based on the invoice date and net of impairment of trade receivables of the Group, is as follows:

	30 June 2011 Unaudited RMB'000	31 December 2010 Audited RMB'000
Within six months	161,663	103,608
Over six months but within one year	4,237	—
Over one year but within two years	1,933	1,819
Over two years but within three years	1,592	278
	<u>169,425</u>	<u>105,705</u>

As at 30 June 2011, the amount due from CNOOC group companies included in the above trade receivable balances was RMB10,177,000 (31 December 2010: RMB2,838,000). The amount due is unsecured, non-interest-bearing and repayable on similar credit terms to those offered to the major customers of the Group.

9 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 the PRC accounting principles and financial regulations; and (ii) the net profit determined in accordance with IFRSs.

As at 30 June 2011, the Company has paid a final 2010 dividend amounting to RMB414,900,000 (six months ended 30 June 2010: RMB322,700,000).

The board of directors of the Company did not recommend the payment of any interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

10 Trade payables

The trade payables are non-interest-bearing and are normally settled in thirty to sixty days. An aging analysis of trade payables, based on invoice date, of the Group is as follows:

	30 June 2011 Unaudited RMB'000	31 December 2010 Audited RMB'000
Within six months	273,249	207,430
Over six months but within one year	2,718	1,235
Over one year but within two years	2,653	7,255
Over two years but within three years	758	1,511
Over three years	6,415	5,253
	<u>285,793</u>	<u>222,684</u>

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

As at 30 June 2011, the amount due to CNOOC group companies included in the above trade payable balances was RMB189,145,000 (31 December 2010: RMB145,408,000).

(III) MANAGEMENT DISCUSSION AND ANALYSIS

1. Business Review

During the reporting period, the Group ensured the safe and stable operation of its major production plants by strengthening production and safety management. All of our urea and methanol plants in Hainan fulfilled continuous and long operation cycles.

The utilisation rates of urea and methanol plants in CNOCC Tianye were lower than that of the corresponding period last year due to the shortage of natural gas supply in winter.

The utilisation rates of our ammonium phosphate plants in Hubei were lower compared with the same period last year due to scheduled overhaul during the first half of 2011.

During the reporting period, the Company has achieved a sound sales performance by proactive marketing, tracking market changes and active logistics coordination. During the reporting period, the Company's sales volume of urea, phosphate fertilisers and methanol was approximately 974,000 tonnes, 216,000 tonnes and 778,000 tonnes respectively, increased 7.0%, 1.8% and 93.5% over the corresponding period of 2010.

Production and sales details of the Group's various plants during the reporting period are set out below:

	For the six-month period ended 30 June					
	2011			2010		
	Production volume (tonnes)	Sales volume (tonnes)	Utilisation rate (%)	Production volume (tonnes)	Sales volume (tonnes)	Utilisation rate (%)
Fertilisers						
<i>Urea</i>						
Fudao Phase I	280,006	284,937	107.7	292,904	281,293	112.7
Fudao Phase II	440,024	417,312	110.0	443,414	394,773	110.9
CNOOC Tianye	257,711	271,810	99.1	266,879	233,963	102.6
Group total	<u>977,741</u>	<u>974,059</u>	<u>106.3</u>	<u>1,003,197</u>	<u>910,029</u>	<u>109.0</u>
<i>Phosphate Fertilisers</i>						
DYK Chemical MAP	23,128	19,246	30.8	35,326	22,357	47.1
DYK Chemical DAP	188,630	196,717	107.8	208,806	189,715	119.3
Group total	<u>211,758</u>	<u>215,963</u>	<u>84.7</u>	<u>244,132</u>	<u>212,072</u>	<u>97.7</u>
Chemical Products						
<i>Methanol</i>						
Hainan Phase I	329,072	322,765	109.7	310,536	320,441	103.5
Hainan Phase II (note)	423,367	409,118	105.8	—	—	—
CNOOC Tianye	68,825	45,795	68.8	86,618	81,556	86.6
Group total	<u>821,264</u>	<u>777,678</u>	<u>102.7</u>	<u>397,154</u>	<u>401,997</u>	<u>99.3</u>

Note: Hainan Phase II Methanol Plant commenced its commercial operation on 1 December 2010.

2. Financial Review

Revenue and gross profit

During the reporting period, the Group's revenue was RMB4,756.6 million, an increase of RMB1,801.7 million or 61.0% from RMB2,954.9 million for the corresponding period of 2010. The Group's gross profit was RMB1,697.0 million, an increase of RMB785.7 million or 86.2% from RMB911.3 million for the corresponding period of 2010.

During the reporting period, the Group's external revenue derived from urea amounted to RMB1,920.2 million, an increase of RMB414.0 million or 27.5% from RMB1,506.2 million for the corresponding period of 2010, primarily attributable to: (1) an increase in sales volume of urea by 64,030 tonnes over the corresponding period of 2010, contributing to an increase of RMB126.2 million, and (2) selling prices of urea increased by RMB316.2 per tonne, contributing to an increase of RMB287.8 million.

During the reporting period, the Group's external revenue derived from phosphate fertilisers (for the production and sales of MAP and DAP) was RMB667.1 million, an increase of RMB153.2 million or 29.8% from RMB513.9 million for the corresponding period of 2010, primarily attributable to: (1) sales volume of phosphate fertilisers increased by 3,891 tonnes over the corresponding period of 2010, contributing to an increase of RMB12.0 million, and (2) selling prices of phosphate fertilisers increased by RMB665.7 per tonne, contributing to an increase of RMB141.2 million.

During the reporting period, the Group's external revenue derived from the methanol segment was RMB1,682.2 million, an increase of RMB946.9 million or 128.8% from RMB735.3 million for the corresponding period of 2010, primarily attributable to: (1) an increased revenue of RMB889.5 million was from the newly built Hainan Phase II Methanol Plant with a sales volume of 409,118 tonnes, (2) increases in sales volume and selling price of Hainan Phase I Plant, contributing to an increase of RMB94.2 million, and (3) Methanol sales volume of CNOOC Tianye was 35,761 tonnes lower than that of corresponding period of 2010. It was mainly due to the shortage of gas supply, as well as 16,681 tonnes of methanol consumed by the POM trial production internally. Even though the increase in selling prices partially offset the decrease in revenue, the revenue from the sales of CNOOC Tianye methanol still decreased by RMB42.1 million.

During the reporting period, revenue from the Group's other segments (mainly port operations, provision of transportation services, manufacture and sale of BB fertiliser and woven plastic bags, as well as trading of fertilisers) amounted to RMB487.1 million, an increase of RMB287.6 million or 144.2% from RMB199.5 million of the corresponding period of 2010. It was primarily attributable to : (1) an increase of RMB128.4 million upon controlling of Guangxi Fudao Agricultural Means of Production Limited ("Guangxi Fudao AMP") by the Group in August 2010, (2) an increase of RMB104.4 million from ports and transportation operations, and (3) an increase of RMB47.0 million due to increased sales volume of BB fertiliser by 14,831 tonnes.

The Group's gross profit for the reporting period amounted to RMB1,697.0 million, an increase of RMB785.7 million or 86.2% from RMB911.3 million for the corresponding period of 2010. It was primarily attributable to (1) gross profit from urea, phosphate fertilisers and methanol segments surged by RMB242.4 million, RMB26.5 million and RMB492.1 million respectively due to increases in their sales volume and selling prices, among which the gross profit of Hainan Phase II Methanol Plant was RMB423.2 million and (2) an increase of RMB24.7 million generated from other segments.

Other income and gains

The Group's other income and gains during the reporting period were RMB62.0 million, an increase of RMB35.4 million or 133.1% from RMB26.6 million for the corresponding period of 2010, primarily attributable to: (1) an increase of RMB22.1 million in entrusted investment gains, and (2) a government grant of RMB9.5 million accredited to DYK Chemical for its phosphate mine processing technology.

Selling and distribution costs

The Group's selling and distribution costs during the reporting period were RMB77.9 million, an increase of RMB23.2 million or 42.4% from RMB54.7 million for the corresponding period of 2010, primarily attributable to increases in selling and distribution costs for the newly commercially operated Hainan Phase II Methanol Plant and Guangxi Fudao.

Administrative expenses

The Group's administrative expenses during the reporting period was RMB191.3 million, an increase of RMB27.4 million or 16.7% from RMB163.9 million for the corresponding period of 2010, primarily attributable to (1) an increase in leasing expenses by RMB6.3 million for the Group's headquarter in Beijing, and (2) increases in administrative expenses for Hainan Phase II Methanol Plant and Guangxi Fudao.

Other expenses

The Group's other expenses during the reporting period was RMB10.3 million, an increase of RMB3.0 million or 41.1% from RMB7.3 million for the corresponding period of 2010, primarily attributable to increased charity related expense.

Finance income and finance costs

The Group's finance income during the reporting period was RMB5.7 million, approximately leveled off with the amount of RMB5.5 million for the corresponding period of 2010. The Group's finance costs during the reporting period was RMB2.6 million, an increase of RMB1.8 million or 225.0% from RMB0.8 million for the corresponding period of 2010, primarily attributable to interest expense of RMB2.1 million incurred for Hainan Phase II Methanol Plant.

Exchange gains/losses, net

The Group recorded an exchange gain of RMB0.1 million during the reporting period against an exchange loss of RMB0.2 million for the corresponding period of 2010, primarily attributable to the absence of exchange loss as the Company did not export its products during the reporting period.

Income tax expense

The Group's income tax expense during the reporting period was RMB326.6 million, an increase of RMB199.8 million or 157.6% from RMB126.8 million for the corresponding period of 2010, primarily attributable to: (1) an increase in corporate income tax expense of RMB162.5 million due to the increase in the Group's profit before tax, and (2) an increase in income tax expense of RMB37.3 million due to an increase in the applicable income tax rate.

Net profit for the period

During the reporting period, the Group's net profit was RMB1,156.1 million, an increase of RMB537.9 million or 87.0% from RMB618.2 million for the corresponding period of 2010.

The increase of the Group's net profit during the reporting period was primarily attributable to the increases in sales volume and selling prices of urea, phosphate fertilisers, and methanol, coupled with the Group's effective cost control.

Dividends

The board of directors of the Company did not recommend the payment of an interim dividend for the six-month period ended 30 June 2011.

As at 30 June 2011, the Company distributed the final cash dividend of RMB414.9 million for the year 2010.

Capital expenditure

During the reporting period, the Group's capital expenditure on acquisition, property, plant and equipment and prepaid land lease payments amounted to RMB615.8 million, mainly comprising investments of: (1) RMB103.2 million for Inner Mongolia POM Project, (2) RMB401.7 million for DYK Chemical expansion project, (3) RMB63.5 million for Huahe coal-based urea in Heilongjiang, and (4) RMB47.4 million for production plant upgrades and equipment purchases.

Pledge of assets

As at 30 June 2011, the Group did not pledge any assets.

Capital management

The primary objective of the Group's capital management is to maintain a high credit rating and healthy capital structure to safeguard its normal production operation and maximise shareholders' value. The Group manages its capital structure in response to changes in economic conditions and makes timely adjustments, if appropriate. We may raise new debts or issue new shares in order to maintain or realign our capital structure. The gearing ratio of the Group (interest-bearing debt divided by the sum of total equity plus interest-bearing debt) as at 30 June 2011 was 3.97% for the reporting period, an increase of 1.23% from 2.74% as at 31 December 2010, primarily attributable to (1) new short-term borrowings of RMB292.7 million, (2) fully settlement of the loans for Hainan Phase II Methanol Plant of RMB235.7 million, (3) new loans of RMB100.0 million for the Inner Mongolia POM project, and (4) new loans of RMB25.0 million for the DYK Chemical project.

Cash and cash equivalents

The Group's cash and cash equivalents at the beginning of the reporting period was RMB2,387.1 million. Net cash inflows from operating activities for the reporting period was RMB1,386.5 million, net cash outflows from investing activities was RMB1,145.3 million, and net cash outflows from financing activities was RMB393.8 million. As at 30 June 2011, the Group's cash and cash equivalents was RMB2,234.5 million. The Group has sufficient cash flow to meet the capital demand for its daily operation and future development.

Human resources and training

As of 30 June 2011, the Group had 5,846 employees. The Company adopts a comprehensive remuneration package policy and a systematic welfare plan as well as an effective performance evaluation system to ensure that the remuneration policy provides sufficient incentives to its staff. The Company determines staff remuneration according to their positions, performance and capability.

During the reporting period, the Company held 1,140 training courses in strict compliance with its annual training plan with a total of 23,212 enrolments and 91,837 training hours.

Market risk

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

Commodity price risk

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

Interest rate risk

The Group's market interest rate risk mainly arises from 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 exchange rate of Renminbi against the US dollar hovered between 6.4683 and 6.6349. The anticipated rise of Renminbi against the US dollar may create dual impact where the Group's revenue from sales of products may decline in the event of appreciation of Renminbi against the US dollar, while the import prices of equipment and raw materials may also be reduced.

As at 30 June 2011, the Group did not have any debt denominated in US dollar.

Inflation and currency risk

According to the data released by the National Bureau of Statistics of China, consumer price index of the PRC rose 5.4% during the reporting period. The increase in consumer price index in the PRC during the reporting period did not have any significant effect on the Group's operating results.

Post balance sheet events and contingent liabilities

After the reporting period to the date of this announcement, the Group had no material post balance sheet events.

As at 30 June 2011, the Group had no material contingent liabilities.

Material litigation and arbitration

As at 30 June 2011, the Group was not involved in any material litigation and arbitration.

3. Sector Review and Outlook

Fertiliser sector

In 2011, the Chinese government continues to greatly increase its investment in "agriculture, rural areas and farmers" in order to strengthen the agricultural industry. Total investment in "agriculture, rural areas and farmers" throughout 2011 would reach RMB988.45 billion, an increase of approximately 15.2% over last year, of which the subsidies to the agricultural industry would reach RMB140.6 billion, an increase of approximately 5.3% over last year. To mitigate the adverse effects of the drought that struck the northern region at the beginning of the year on the agricultural industry, an anti-drought agricultural subsidy of RMB12.9 billion was set aside by the PRC government, aiming to support grain and crop production by all means. In 2011, the PRC government continues to raise the minimum grain purchase prices at a prudent pace, with the minimum purchase prices of wheat and rice increasing by 5.6% to 8.1% and 9.7% to 21.9%, respectively.

During the first half of 2011, international grain prices fueled the growth of the global agricultural farming, resulting in a strong demand in global fertiliser that spurred the international fertiliser prices. International Fertiliser Industry Association (IFA) expected global demand for nitrogen and phosphate fertilisers this year will increase 1.8% and 2.1%, respectively.

To secure domestic supply of fertilisers, the PRC government adjusted the export policy of urea and phosphate fertilisers for 2011 in December 2010, according to which the export windows for urea and ammonium phosphate during low season were shortened by one month and one and a half month respectively compared with last year.

(1) Urea

During the reporting period, domestic coal prices stood high under the influences of rising international energy prices, domestic coal resources consolidation and robust demand in the PRC.

During the first half of 2011, domestic urea production was approximately 29.8 million tonnes (in kind), dropped about 4% over the first half of 2010 as affected by high production costs suffered by small and medium-sized domestic urea producers and shortage of natural gas supply to certain large-scaled urea production plants in the PRC.

Domestic urea prices ranged from RMB1,900 to RMB2,100 per tonne from January to April 2011. Backed by significant rise in international market prices of urea as well as the strong domestic demand during high season, domestic market price of urea kept rising since May, reaching RMB2,500 per tonne by the end of June.

(2) Phosphate Fertilisers

During the reporting period, domestic ammonium phosphate production exceeded 11 million tonnes (in kind), an increase of approximately 15% compared with the corresponding period in 2010.

During the first half of 2011, domestic ammonium phosphate prices rose steadily given the rising price of raw materials for ammonium phosphate (sulphur, ammonia and phosphoric ore) that pushed up the production cost of ammonium phosphate.

Looking ahead, international fertiliser prices will remain high during the second half of 2011 as a result of the strong international demand for fertilisers. During the second half of 2011, domestic fertiliser market prices will continue to hover at high ranges as prices of fertilisers will be supported by factors such as the export in low season during the second half of the year, domestic winter fertilisers reserves alongside fertiliser production costs, despite the fact that prices of domestic fertilisers may fall in view of the imminent low season for domestic fertiliser consumption.

Methanol sector

During the first half of 2011, demand for methanol from domestic traditional downstream industries amid steady economic growth in the PRC and as an alternative source of energy kept rising. Domestic apparent consumption of methanol approximated 12.56 million tonnes in the first half of 2011, an increase of approximately 26% compared with the corresponding period in 2010.

During the reporting period, domestic coal price remained high given the rising international energy prices, domestic coal resources consolidation and robust demand in the PRC.

In the first half of 2011, domestic methanol production was approximately 9.7 million tonnes, an increase of approximately 21% compared with the corresponding period in 2010, whilst methanol imports were approximately 2.86 million tonnes, an increase of approximately 21% compared with the corresponding period in 2010.

Domestic market prices of methanol fluctuated between RMB2,600 to RMB3,100 per tonne, owing to the combined effects of high production costs, robust demand and international energy price fluctuations during the first half of 2011.

Looking forward to the second half of 2011, downstream demand for methanol will increase steadily bolstered by the reasonable growth of the PRC economy. The promotion of the use of methanol blending gasoline is expected to further boost the demand for methanol as an alternative energy. Domestic methanol prices will fluctuate in high range in view of the international energy prices, strong domestic demand and high methanol production costs.

Outlook

Looking forward to the second half of 2011, facing the complicated global economic environment, the Company will concentrate on fulfilment of following tasks:

1. Ensure safe and stable operation of the production plants and endeavor to complete the annual production tasks and business objectives;
2. Strengthen cost control to maintain the cost competitiveness of the Company;
3. Ensure the commercial operation of the POM plant in early October and strengthen product sales;
4. Ensure the completion of the ammonium phosphate expansion project of DYK Chemical in Hubei by the end of the year;
5. Actively advocate the construction of the coal-based urea project in Hegang, Heilongjiang and Hequ, Shanxi, respectively; and
6. Continue to seek domestic and overseas merger and acquisition opportunities that match the development strategy of the Company.

(IV) SUPPLEMENTAL INFORMATION

Audit Committee

The Audit Committee has reviewed the accounting principles and standards adopted by the Group, and has discussed and reviewed the internal control and financial reporting matters with the management, including the review of the interim results for the six months ended 30 June 2011. The interim results for the six months ended 30 June 2011 have not been audited but have been independently reviewed by Ernst & Young, the Company's external auditor, 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, the independent auditor, has any disagreement over the accounting treatments 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. The Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange for the six months ended 30 June 2011.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Board confirms that, having made specific enquiries with all directors and supervisors, during the six months ended 30 June 2011, all members of the Board and all supervisors have complied with the requirements of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules.

Purchase, Sale and Redemption of the Company's Listed Securities

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

Disclosure on the Website of the Stock Exchange

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

By order of the Board
China BlueChemical Ltd.*
Li Hui
Chairman

Hong Kong, the PRC, 28 August 2011

As at the date of this announcement, the executive directors of China BlueChemical Ltd. are Mr. Yang Yexin, Mr. Fang Yong and Mr. Chen Kai; the non-executive director is Mr. Li Hui; the independent non-executive directors are Mr. Zhang Xinzhi, Mr. Tsui Yiu Wa, Alec and Mr. Gu Zongqin.

* *for identification purpose only*