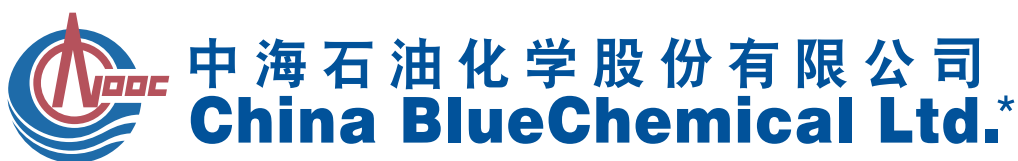


Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 03983)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2012

FINANCIAL HIGHLIGHTS

1. Revenue amounted to RMB5,001.3 million
2. Gross profit amounted to RMB1,520.5 million
3. Net profit attributable to owners of the parent amounted to RMB908.5 million
4. Basic earnings per share was RMB0.20

(I) UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**Interim condensed consolidated income statement***For the six months ended 30 June 2012*

		Six months ended 30 June	
		2012	2011
	<i>Notes</i>	Unaudited RMB'000	Unaudited RMB'000
Revenue	4	5,001,295	4,756,558
Cost of sales		(3,480,811)	(3,059,567)
Gross profit		1,520,484	1,696,991
Other income and gains	4	75,032	61,993
Selling and distribution costs		(87,816)	(77,936)
Administrative expenses		(186,225)	(191,301)
Other expenses		(13,200)	(10,259)
Finance income		7,940	5,655
Finance costs		(7,715)	(2,622)
Exchange (losses)/gains, net		(1,561)	149
Share of profits of associates		58	50
Profit before tax	5	1,306,997	1,482,720
Income tax expense	6	(296,657)	(326,607)
Profit for the period		1,010,340	1,156,113
Attributable to:			
Owners of the parent		908,454	1,030,292
Non-controlling interests		101,886	125,821
		1,010,340	1,156,113
Earnings per share attributable to ordinary owners of the parent			
— Basic for the period (<i>RMB</i>)	7	0.20	0.22
— Diluted for the period (<i>RMB</i>)	7	0.20	0.22

Interim condensed consolidated statement of comprehensive income
For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	Unaudited	Unaudited
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	<u>1,010,340</u>	<u>1,156,113</u>
Other comprehensive income for the period, net of tax	<u>—</u>	<u>—</u>
Total comprehensive income for the period, net of tax	<u>1,010,340</u>	<u>1,156,113</u>
Attributable to:		
Owners of the parent	908,454	1,030,292
Non-controlling interests	<u>101,886</u>	<u>125,821</u>
	<u>1,010,340</u>	<u>1,156,113</u>

Interim condensed consolidated statement of financial position

As at 30 June 2012

		30 June	31 December
		2012	2011
		Unaudited	Audited
	<i>Note</i>	RMB'000	RMB'000
Assets			
Non-current assets			
Property, plant and equipment		9,925,740	9,347,634
Mining rights		482,213	482,868
Prepaid land lease payments		466,563	472,695
Intangible assets		125,075	129,685
Investments in associates		654,405	654,347
Available-for-sale investments		600	600
Deferred tax assets		106,396	110,198
		11,760,992	11,198,027
Current assets			
Inventories		1,429,971	1,473,422
Trade receivables	8	146,352	147,272
Bills receivable		83,790	81,196
Prepayments, deposits and other receivables		659,892	730,989
Available-for-sale investments		11,610	—
Pledged bank deposits		—	1,711
Time deposits		13,500	32,850
Cash and cash equivalents		2,431,008	2,803,266
		4,776,123	5,270,706
Total assets		16,537,115	16,468,733

Interim condensed consolidated statement of financial position (continued)

As at 30 June 2012

		30 June 2012 Unaudited RMB'000	31 December 2011 Audited RMB'000
Equity and liabilities			
Equity attributable to owners of the parent			
Issued capital		4,610,000	4,610,000
Reserves		7,697,981	6,789,415
Proposed dividends	9	—	737,600
		<u>12,307,981</u>	<u>12,137,015</u>
Non-controlling interests		<u>1,343,533</u>	<u>1,430,653</u>
Total equity		<u>13,651,514</u>	<u>13,567,668</u>
Non-current liabilities			
Benefits liability		50,101	53,411
Interest-bearing bank borrowings		425,000	425,000
Other long-term liabilities		147,360	129,802
Deferred tax liabilities		70,083	71,796
		<u>692,544</u>	<u>680,009</u>
Current liabilities			
Interest-bearing bank borrowings		18,160	—
Trade payables	10	567,040	318,689
Bills payable	10	—	8,550
Other payables and accruals		1,511,297	1,765,424
Income tax payable		96,560	128,393
		<u>2,193,057</u>	<u>2,221,056</u>
Total liabilities		<u>2,885,601</u>	<u>2,901,065</u>
Total equity and liabilities		<u>16,537,115</u>	<u>16,468,733</u>
Net current assets		<u>2,583,066</u>	<u>3,049,650</u>
Total assets less current liabilities		<u>14,344,058</u>	<u>14,247,677</u>
Net assets		<u>13,651,514</u>	<u>13,567,668</u>

(II) NOTES TO 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, methanol, phosphorus fertilisers which include mono-ammonium phosphate (“MAP”) and di-ammonium phosphate (“DAP”) fertilisers, and polyoxymethylene (“POM”).

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 2012, particulars of the subsidiaries, associates, and jointly-controlled entities 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 (海洋石油富島有限公司)	PRC 31 December 2001	463,000	Direct Indirect 100.00 —	Manufacture and sale of fertilisers
Hainan CNOOC Plastic Co., Ltd. (海南中海石油塑編有限公司)	PRC 28 April 2002	12,716	Direct Indirect 100.00 —	Manufacture and sale of woven plastic bags
Hainan CNOOC Complex Fertiliser Co., Ltd. (海南富島複合肥有限公司)	PRC 19 May 2000	7,500	Direct Indirect 100.00 —	Manufacture and sale of BB fertiliser
Hainan CNOOC Transportation Co., Ltd. (海南中海石油運輸服務 有限公司)	PRC 22 October 2001	6,250	Direct Indirect — 67.26	Provision of transportation services
CNOOC (Hainan) E&P Gas Limited (中海石油(海南)環保氣體 有限公司)	PRC 8 November 2004	6,900	Direct Indirect 100.00 —	Manufacture and sale of liquidised carbon dioxide
CNOOC Jincheng Coal Chemical Industry Co., Ltd. (中海石油晉城煤化工產業 有限公司)	PRC 26 November 2007	160,000	Direct Indirect 75.00 —	Manufacture and sale of fertilisers
Hainan Basuo Port Limited (海南八所港務有限責任公司)	PRC 25 April 2005	514,034	Direct Indirect 73.11 —	Port operation

Name	Place and date of establishment and operation	Registered capital RMB'000	Percentage of equity interest attributable to the Company	Principal activities
CNOOC Tianye Chemical Limited (中海石油天野化工股份有限公司)	PRC 18 December 2000	1,780,000	Direct Indirect 90.00 —	Manufacture and sales of fertilisers, methanol and POM
Inner Mongolia Hong Feng Packaging Co., Ltd. (內蒙古鴻豐包裝有限責任公司)	PRC 9 December 1999	3,297	Direct Indirect — 63.54	Manufacture and sale of woven plastic bags
CNOOC Kingboard Chemical Limited (中海石油建滔化工有限公司)	PRC 31 October 2003	500,000	Direct Indirect 60.00 —	Manufacture and sale of methanol
China BlueChemical Yichang Mining Ltd. (中海石油化學宜昌礦業有限公司)	PRC 7 August 2008	50,000	Direct Indirect 51.00 —	Phosphate mining and processing, sale of phosphate ore
Shanghai Qionghua Trading Co., Ltd. (上海瓊化經貿有限公司)	PRC 7 January 2002	27,000	Direct Indirect — 90.93	Trading of fertilisers
China BlueChemical Baotou Coal Chemical Industry Co., Ltd. (中海油化學包頭煤化工有限公司)	PRC 11 September 2008	100,000	Direct Indirect 100.00 —	Manufacture and sales of fertilisers and chemical products
China Basuo Ocean Shipping Tally Co., Ltd. (八所中理外輪理貨有限公司)	PRC 9 May 2008	300	Direct Indirect — 61.41	Provision of overseas shipping services
CNOOC Hualu Shanxi Coal Chemical Co., Ltd. (中海油華鹿山西煤炭化工有限公司)	PRC 29 November 2005	61,224	Direct Indirect 51.00 —	Preparatory work for a methanol and dimethyl ether project
Hubei Dayukou Chemical Co., Ltd. (湖北大峪口化工有限責任公司)	PRC 12 August 2005	1,050,624	Direct Indirect 83.97 —	Phosphate mining and processing, manufacture and sales of MAP and DAP fertilisers
Guangxi Fudao Agricultural Means of Production Limited (廣西富島農業生產資料有限公司)	PRC 11 January 2003	20,000	Direct Indirect — 51.00	Trading of fertilisers and chemicals
Guangxi Fudao Chemical Limited (廣西富島化工有限公司)	PRC 8 February 2006	3,000	Direct Indirect — 51.00	Trading of fertilisers and chemicals

Name	Place and date of establishment and operation	Registered capital RMB'000	Percentage of equity interest attributable to the Company		Principal activities
Guilin Fudao Agriculture Means of Production Limited (桂林富島農業生產資料有限公司)	PRC 10 March 2004	1,000	Direct Indirect	— 35.70	Trading of fertilisers and chemicals
CNOOC Guangxi Fertilizer and Technology Limited (廣西中海肥業科技有限公司)	PRC 25 December 2009	2,000	Direct Indirect	— 51.00	Manufacture and sale of fertilisers
Hegang Huahe Coal Chemical Ltd. (鶴崗市華鶴煤化股份有限公司)	PRC 26 May 2006	100,000	Direct Indirect	80.00 —	Manufacture and sale of fertilisers
Hainan Basuo Port Labor Service Limited (海南八所港務有限責任公司勞動服務公司)	PRC 14 March 2007	600	Direct Indirect	— 73.11	Provision of overseas shipping services
Associates:					
Shanxi Hualu Yangpoquan Coal Mining Co.,Ltd. (山西華鹿陽坡泉煤礦有限公司)	PRC 3 August 2001	52,000	Direct Indirect	49.00 —	Mining and sale of coal
China Basuo Overseas Shipping Agency Co., Ltd. (中國八所外輪代理有限公司)	PRC 24 May 2000	1,800	Direct Indirect	— 36.56	Provision of overseas shipping services
Jointly-controlled entities:					
Guizhou Jinlin Chemical Co., Ltd. (貴州錦麟化工有限責任公司)	PRC 12 April 2007	235,294	Direct Indirect	45.00 —	Phosphate mining and processing, manufacture and sales of phosphate ore and chemical products
Yantai Port fertilizer Logistics Co., Ltd. (煙台港化肥物流有限公司)	PRC 20 July 2011	122,500	Direct Indirect	27.00 —	Cargo handling, warehousing, packaging and domestic freight forwarding

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2012 have been prepared in accordance with International Accounting Standards 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 2011.

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 2011. The adoption of new standards and interpretations as of 1 January 2012 does not have any impact on the accounting policies, interim financial position or performance of the Group.

Improvements to IFRSs

The International Accounting Standards Board has issued improvements to International Financial Reporting Standards ("IFRSs") which set out amendments to a number of IFRSs primarily with a view to remove inconsistencies and clarify wording. The adoption of those amendments upon their effective dates did not have any material impact on the accounting policies, interim financial position or performance of the Group.

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 MAP and DAP fertilisers;
- (c) the methanol segment is engaged in the manufacture and sale of methanol; and
- (d) the "others" segment mainly comprises segments engaged in manufacture and sale of BB fertiliser, POM and woven plastic bags, trading of fertilisers and chemicals, port operations and provision of transportation services.

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

Management monitors the operating results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with adjusted operating profit or loss in the 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 RMB'000
	Urea RMB'000	fertiliser RMB'000	Methanol RMB'000	Others RMB'000	Elimination RMB'000	
Six months ended 30 June 2012						
Segment revenue:						
Sales to external customers	1,855,735	660,455	1,666,024	819,081	—	5,001,295
Inter-segment sales	47,142	—	13,916	80,582	¹ (141,640)	—
Total	<u>1,902,877</u>	<u>660,455</u>	<u>1,679,940</u>	<u>899,663</u>	<u>(141,640)</u>	<u>5,001,295</u>
Segment results:						
Segment profit before tax	<u>704,318</u>	<u>31,874</u>	<u>633,482</u>	<u>(36,994)</u>	<u>²(25,683)</u>	<u>1,306,997</u>
As at 30 June 2012						
Segment assets	<u>4,108,187</u>	<u>3,426,543</u>	<u>3,041,219</u>	<u>3,223,992</u>	<u>³2,737,174</u>	<u>16,537,115</u>

1. Inter-segment sales are eliminated on consolidation.
2. Profit for each operating segment does not include interest and unallocated gains (RMB15,067,000), corporate and other unallocated expenses (RMB31,474,000), finance costs (RMB7,715,000), and net exchange losses (RMB1,561,000).
3. Segment assets do not include deferred tax assets (RMB106,396,000), available-for-sale financial assets (RMB600,000), cash and bank balances (RMB1,955,170,000), assets of centralised cost centre (RMB846,716,000), and inter-segment balances (RMB171,708,000).

(Unaudited)	Phosphorus					Total RMB'000
	Urea RMB'000	fertiliser RMB'000	Methanol RMB'000	Others RMB'000	Elimination 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 31 December 2011						
Segment assets	<u>4,155,204</u>	<u>2,869,481</u>	<u>3,537,757</u>	<u>3,320,704</u>	<u>³2,585,587</u>	<u>16,468,733</u>

1. Inter-segment sales are eliminated on consolidation.
2. Profit for each operating segment does not include interest and unallocated gains (RMB20,036,000), corporate and other unallocated expenses (RMB51,491,000), finance costs (RMB2,622,000) and net exchange gains (RMB149,000).

3. Segment assets do not include deferred tax assets (RMB110,198,000), available-for-sale financial assets (RMB600,000), cash and bank balances (RMB1,688,306,000), assets of centralised cost centre (RMB850,473,000) and intersegment balances (RMB63,990,000).

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 after allowances for returns and discounts; and the value of services rendered during the period.

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

	Six months ended 30 June	
	2012	2011
	Unaudited	Unaudited
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue		
Sale of goods	4,801,341	4,538,151
Rendering of services	199,954	218,407
	<u>5,001,295</u>	<u>4,756,558</u>
Other income and gains		
Gain on disposal of unlisted investments	52,229	39,608
Income from sale of other materials	8,987	6,939
Income from rendering of other services	4,003	3,545
Gross rental income	363	1,081
Government grants	5,143	9,807
Others	4,307	1,013
	<u>75,032</u>	<u>61,993</u>

5 PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2012	2011
	Unaudited	Unaudited
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of inventories sold	3,288,506	2,857,436
Cost of services provided	164,332	185,432
Depreciation	379,589	403,662
Amortisation of prepaid land lease payments	5,979	5,573
Amortisation of intangible assets	4,813	3,620
Write-down of inventories to net realisable value	51,079	—

6 INCOME TAX EXPENSE

Major components of income tax expense for the six months ended 30 June 2012 and 2011 are as follows:

	Six months ended 30 June	
	2012	2011
	Unaudited	Unaudited
	RMB'000	RMB'000
Current — PRC		
Charge for the period	294,568	327,428
Deferred	2,089	(821)
	<hr/>	<hr/>
Total tax charge for the period	296,657	326,607
	<hr/> <hr/>	<hr/> <hr/>

(a) Corporate income tax (“CIT”)

The Group is subject to income tax on an entity basis on the profit arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. The Group is not liable for profits tax in Hong Kong as it does not have assessable profits currently sourced from Hong Kong. The New Corporate Income Tax Law effective from 1 January 2008 introduces the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%.

CNOOC Fudao Limited (“CNOOC Fudao”), a subsidiary of the Company, is entitled to a preferential tax rate of 15% for the three years ending 31 December 2013 after being assessed as a high-tech enterprise.

Hubei Dayukou Chemical Co., Ltd (“DYK Chemical”), a subsidiary of the Company, is entitled to a preferential CIT rate of 15% for the year 2012 after being assessed as a high-tech enterprise.

Hainan Basuo Port Limited (“Basuo Port”), a subsidiary of the Company, is entitled to an exemption 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 (Hainan) E&P Gas Limited (“CNOOC E&P”), a subsidiary of the Company, 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. The year of 2008 is the first tax profitable year. The year of 2012 is the third year for CNOOC E&P to enjoy the 50% reduction in the applicable CIT rate of 25%.

(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 2012 and 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 owners of the parent for the six months ended 30 June 2012 of approximately RMB908,454,000 (six months ended 30 June 2011: RMB1,030,292,000) and the 4,610,000,000 ordinary shares in issue during the period (six months ended 30 June 2011: 4,610,000,000).

The Group had no potential dilutive ordinary shares in issue during these 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 and POM 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 2012 Unaudited RMB'000	31 December 2011 Audited RMB'000
Within six months	130,824	141,316
Over six months but within one year	13,212	3,434
Over one year but within two years	1,496	2,498
Over two years but within three years	820	24
	<u>146,352</u>	<u>147,272</u>

As at 30 June 2012, the amount due from CNOOC and its subsidiaries, joint-ventures, and associates ("CNOOC group companies") included in the above trade receivable balances was RMB12,576,000 (31 December 2011: RMB14,183,000). 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 PROPOSED 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 2012, the Company has paid a final 2011 dividend amounting to RMB737,600,000 (six months ended 30 June 2011: RMB414,900,000).

The board of directors of the Company did not recommend the payment of any interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

10 TRADE PAYABLES AND BILLS PAYABLE

The trade payables and bills payable are non-interest-bearing and are normally settled in 30 to 180 days. An aging analysis of trade payables and bills payable of the Group, based on invoice date, is as follows:

	30 June 2012 Unaudited RMB'000	31 December 2011 Audited RMB'000
Within six months	546,644	313,276
Over six months but within one year	7,978	4,861
Over one year but within two years	3,522	3,577
Over two years but within three years	3,371	90
Over three years	5,525	5,435
	<hr/> 567,040 <hr/>	<hr/> 327,239 <hr/>

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

As at 30 June 2012, the amount due to the ultimate holding company and CNOOC group companies included in the above trade payable balances was RMB457,000 (31 December 2011: Nil) and RMB344,128,000 (31 December 2011: RMB174,884,000) respectively.

(III) MANAGEMENT DISCUSSION AND ANALYSIS

1. Sector Review

Fertiliser Industry

In 2012, the Chinese government continues to significantly increase its investment in “agriculture, rural areas and farmers” in order to stabilize domestic grain productions and ensure domestic grain supplies. A total investment of RMB1,228.7 billion has been allocated to “agriculture, rural areas and farmers” for the year of 2012, an increase of 17.9% over last year, among which subsidies to the agricultural industry amount to RMB162.8 billion, an increase of 15.8% over 2011. At the same time, to increase farmers’ incomes from, and motivation in, growing food crops, the PRC government continued to raise the minimum purchase prices for wheat and rice steadily, with the minimum purchase prices for wheat increasing by 7.4% to 9.7% to RMB2.04 per kilogram and the minimum purchase prices for rice increasing by 9.4% to 17.6% to RMB2.4 to RMB2.8 per kilogram.

Benefitting from the increase in the global grain sowing area and favorable natural climatic conditions for the planting season, international and domestic demands for fertilisers were robust during the reporting period.

In 2012, export tariffs and low-season export windows of domestic urea and phosphate fertilisers remain the same as in 2011, but the export benchmark prices in 2012 do not include tariffs. Domestic producers of urea and phosphate fertilisers should benefit from that during the export window in low-season.

(1) Urea

During the first half of 2012, domestic urea production volume was approximately 32.65 million tonnes (in kind), an increase of about 9.6% over the first half of 2011.

Domestic market price of urea was approximately RMB2,250 per tonne from January to February 2012. Driven by the domestic demand during the high season, domestic market price of urea started to rise from the end of February onwards. Domestic market price of urea rose significantly from the second half of March, pulled by the soaring international market prices as well as the strong domestic demand of urea. The highest price of urea reached over RMB2,650 per tonne by early to mid-May. Since then, the domestic market price of urea started to decline, reaching approximately RMB2,250 per tonne by the end of June.

(2) Phosphate Fertilisers

During the reporting period, domestic ammonium phosphate production volume was about 12 million tonnes (in kind), an increase of approximately 9.1% compared with the corresponding period in 2011.

During the first half of 2012, domestic market for ammonium phosphate remained stable. The market price for diammonium phosphate (DAP) was within the range of RMB3,200 to RMB3,400 per tonne. However, production costs of DAP increased due to significant rises in the prices of ammonia and phosphoric ore, the major raw materials for the production of DAP, and the profitability of phosphate fertiliser producers was compromised as a result.

Chemical Industry

(1) Methanol Sector

Although the slowdown of the domestic economic growth in the first half of 2012 affected the demand of traditional downstream use of methanol, the rapid development of alternative use of energy and methanol-to-olefin resulted in a substantial increase in the demand for methanol. During the reporting period, domestic apparent consumption of methanol was about 15 million tonnes, an increase of approximately 19% over the corresponding period in 2011.

In the first half of 2012, domestic methanol production volume amounted to approximately 12.6 million tonnes, an increase of approximately 30% compared with the corresponding period in 2011, while methanol import volume was approximately 2.47 million tonnes, a decrease of approximately 14% compared with the corresponding period in 2011.

The key domestic markets for methanol sustained a steady trend from January to May 2012. Price fluctuations ranged from RMB2,900 to RMB3,200 per tonne. The market prices for methanol eased since the beginning of June in the wake of the drastic fall in international energy prices. The price for methanol in key domestic markets maintained at RMB2,600 to RMB2,700 per tonne at the end of June.

(2) POM Sector

The overall domestic POM industry was making a loss for the first half of 2012, as the domestic market demand for POM was low due to the notably slowdown in both international and domestic economic growth, while there was ferocious market competition over domestic middle-to-low end POM products as a result of serious imbalance of supply over demand.

2. Business Review

During the reporting period, the methanol plant of Hainan Phase I of the Company and the ammonium phosphate plant of DYK Chemical in Hubei were in stable operations. The Company, through careful organization and reasonable planning, successfully completed the overhauls for the urea plants in Fudao Phase I and Fudao Phase II as well as the methanol plants in Hainan Phase II in accordance with the plan. Upon completion of such overhauls, the three plants have been in stable operations. However, the utilisation rates of those plants were lower than those of the corresponding period of last year as a result of the overhauls. The utilization rates of the urea and methanol plants of CNOOC Tianye in Inner Mongolia decreased due to the shortage in natural gas supplies in winter. The utilization rate of the POM plant of CNOOC Tianye was low due to sluggish sales caused by weak market demand.

During the reporting period, by seizing the advantageous opportunities brought by the peak season of domestic demands for fertilizers, robust market demands and demands for methanol as alternative energies, the Company successfully completed the sales targets for urea, phosphate fertilizers and methanol and achieved sound economic returns. However, the sales volume and selling price of our POM products were lower than expected due to weak demands as well as intensified competitions in the market.

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

	For the six months ended 30 June					
	2012			2011		
Fertilisers	Production Volume (tonnes)	Sales Volume (tonnes)	Utilisation Rate (%)	Production Volume (tonnes)	Sales Volume (tonnes)	Utilisation Rate (%)
Urea						
Fudao Phase I	241,289	249,641	92.8	280,006	284,937	107.7
Fudao Phase II	359,142	366,564	89.8	440,024	417,312	110.0
CNOOC Tianye	247,632	237,077	95.2	257,711	271,810	99.1
Group total	<u>848,063</u>	<u>853,282</u>	<u>92.2</u>	<u>977,741</u>	<u>974,059</u>	<u>106.3</u>
Phosphate fertilisers						
DYK Chemical MAP	18,169	17,927	24.2	23,128	19,246	30.8
DYK Chemical DAP	198,527	197,979	113.4	188,630	196,717	107.8
Group total	<u>216,696</u>	<u>215,906</u>	<u>86.7</u>	<u>211,758</u>	<u>215,963</u>	<u>84.7</u>
Chemical Products						
Methanol						
Hainan Phase I	321,586	305,461	107.2	329,072	322,765	109.7
Hainan Phase II	373,673	397,126	93.4	423,367	409,118	105.8
CNOOC Tianye	57,754	36,480	57.8	68,825	45,795	68.8
Group total	<u>753,013</u>	<u>739,067</u>	<u>94.1</u>	<u>821,264</u>	<u>777,678</u>	<u>102.7</u>
POM						
CNOOC Tianye POM (note)	16,529	16,438	55.1	—	—	—
Group total	<u>16,529</u>	<u>16,438</u>	<u>55.1</u>	<u>—</u>	<u>—</u>	<u>—</u>

Note: CNOOC Tianye POM plant went into commercial operation on 1 October 2011. Its production volume in 2011 was included from the date of the commencement of commercial operation only.

3. Financial Review

Revenue and gross profit

During the reporting period, the Group's revenue was RMB5,001.3 million, an increase of RMB244.7 million, or 5.1%, from RMB4,756.6 million for the corresponding period of 2011. During the reporting period, the Group's gross profit was RMB1,520.5 million, a decrease of RMB176.5 million, or 10.4%, from RMB1,697.0 million for the corresponding period of 2011.

During the reporting period, the Group's external revenue derived from ureas amounted to RMB1,855.7 million, a decrease of RMB64.5 million, or 3.4%, from RMB1,920.2 million for the corresponding period of 2011, primarily attributable to: (1) a 25-day suspension and a 34-day operation at low utilisation rate of the urea plant of CNOOC Tianye in Inner Mongolia caused by serious undersupply of gases in the first quarter of the reporting period together with the overhauls of the urea plants at Fudao Phase I and Fudao Phase II in Hainan, resulting in a reduced volume of urea production with the sales of urea reduced by 120,777 tonnes in volume and RMB238.1 million in revenue as compared to the corresponding period of last year; (2) the rise of the selling price of urea by RMB203.5 per tonne contributing to an increase of RMB173.6 million in revenue partially offsetting the aforesaid reductions.

During the reporting period, the Group's external revenue derived from phosphate fertilisers was RMB660.5 million, a decrease of RMB6.6 million, or 1.0%, from RMB667.1 million for the corresponding period of 2011, primarily attributable to a decrease in the selling prices of phosphate fertilizers by RMB30.1 per tonne, contributing to a decrease of RMB6.5 million in revenue in the reporting period.

During the reporting period, the Group's external revenue derived from the methanol segment was RMB1,666.0 million, a decrease of RMB16.2 million, or 1.0%, from RMB1,682.2 million for the corresponding period of 2011, primarily attributable to: (1) the suspension of the methanol plant of CNOOC Tianye in Inner Mongolia for 83 days owing to the serious undersupply of gases in the first quarter of the reporting period and the overhaul of the Hainan Phase II methanol plant for 18 days in January, resulting in a reduced volume of methanol production with methanol sales reduced by 38,611 tonnes in volume and RMB83.5 million in revenue as compared to the corresponding period of last year; and (2) the rise of the selling price of methanol by RMB91.1 per tonne contributing to an increase of RMB67.3 million in revenue partially offsetting the aforesaid reductions.

During the reporting period, the Group's revenue from other segments (primarily comprising the manufacture and sale of BB fertilisers, POM and woven plastic bags, the trading of fertilisers and chemicals, port operations and the provision of transportation services) increased by RMB332.0 million, which was primarily attributable to: (1) an increase of RMB125.2 million in revenue during the reporting period following the commencement of commercial operation of the POM plant of CNOOC Tianye in Inner Mongolia in October 2011; (2) an increase of RMB168.7 million in revenue from the trading of fertilisers and chemicals; (3) an increase in revenue of RMB56.6 million from BB fertilisers; and (4) a decrease in transportation volumes at Basuo Port with a decrease of RMB18.5 million in revenue partially offsetting the aforesaid increases.

The Group's gross profit for the reporting period amounted to RMB1,520.5 million, a decrease of RMB176.5 million, or 10.4%, from RMB1,697.0 million for the corresponding period of 2011. It was primarily attributable to: (1) the reduction in the Group's production and sales volume of and revenue from urea and methanol owing to the serious undersupply of gases at CNOOC Tianye in Inner Mongolia and the overhauls of three production plants in Hainan, coupled with higher costs driven up by overhaul charges and the increase in natural gas prices compared with the corresponding period in 2011, partially offset by the increase in the selling prices of urea and methanol compared with the corresponding period in 2011, nonetheless, resulting in the decrease in gross profit for urea and methanol by RMB36.1 million and RMB23.3 million, respectively, for the reporting period; (2) the decrease in gross profit for phosphate fertilisers by RMB66.1 million for the reporting period owing to the significant increase in the production cost of phosphate fertilizers driven by rising prices for raw materials such as phosphoric ore, sulphur and ammonia; and (3) a decrease in the gross profit for other businesses by RMB51.0 million mainly reflecting losses sustained by the POM business owing to excessive oversupply and low prices in the domestic mid-to-low end POM market, coupled with higher production cost resulting from the low-load operation of production plants.

Other income and gains

The Group's other gains during the reporting period were RMB75.0 million, an increase of RMB13.0 million, or 21.0%, from RMB62.0 million for the corresponding period of 2011, primarily attributable to an increase of RMB12.6 million in entrusted investment gains during the reporting period.

Selling and distribution costs

The Group's selling and distribution costs during the reporting period were RMB87.8 million, an increase of RMB9.9 million, or 12.7%, from RMB77.9 million for the corresponding period of 2011, primarily attributable to: (1) an increase in selling and distribution costs of the new POM products by RMB6.7 million during the reporting period; and (2) an increase in sales volumes of 36,173 tonnes of Guangxi Fudao.

Administrative expenses

The Group's administrative expenses during the reporting period were RMB186.2 million, a decrease of RMB5.1 million, or 2.7%, from RMB191.3 million for the corresponding period of 2011.

Other expenses

The Group's other expenses during the reporting period were RMB13.2 million, an increase of RMB2.9 million, or 28.2%, from RMB10.3 million for the corresponding period of 2011, primarily attributable to the increase in handling fees in relation to entrusted loans and the tax amounts during the reporting period.

Finance income and finance costs

The Group's finance income during the reporting period was RMB7.9 million, an increase of RMB2.2 million, or 38.6%, from RMB5.7 million for the corresponding period of 2011. The increase was primarily attributable to the increase in deposit interest rate by domestic banks during the reporting period.

During the reporting period, the Group's finance costs were RMB7.7 million, an increase of RMB5.1 million, or 196.2%, from RMB2.6 million for the corresponding period of 2011.

Exchange gains/(losses), net

The Group recorded an exchange loss of RMB1.6 million during the reporting period, a decrease of RMB1.7 million from an exchange gain of RMB0.1 million for the corresponding period of 2011, primarily attributable to the exchange loss arising from the payment of dividends during the reporting period.

Income tax expense

The Group's income tax expense during the reporting period was RMB296.7 million, a decrease of RMB29.9 million, or 9.2%, from RMB326.6 million for the corresponding period of 2011, primarily attributable to: (1) a decrease in corporate income tax expense of RMB38.7 million due to the decrease in the Group's profit before tax during the reporting

period; and (2) an increase in income tax expense of RMB8.8 million due to an increase in the income tax rate applicable to the Group to 22.7% during the reporting period, partially offsetting the aforesaid decrease.

Net profit for the period

During the reporting period, the Group's net profit was RMB1,010.3 million, a decrease of RMB145.8 million, or 12.6%, from RMB1,156.1 million for the corresponding period of 2011.

The decrease of the Group's net profit was primarily attributable to: (1) reduced production and sales volume of urea and methanol owing to the serious undersupply of gases at CNOOC Tianye in Inner Mongolia and the overhauls of three production plants in Hainan, coupled with the increase in costs reflecting the overhaul charges and the increase in natural gas prices; (2) higher production costs for phosphate fertilizers driven by rising prices of raw materials for the production of phosphate fertilisers such as phosphoric ore, sulphur and ammonia; and (3) losses incurred by the POM business owing to excessive oversupply in the mid-to-low end POM market with low prices, coupled with higher production cost resulting from the low-load operation of production plants.

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 2012.

As at 30 June 2012, the Company distributed the final cash dividend of RMB737.6 million for 2011.

Capital expenditure

During the reporting period, the Group's capital expenditure on acquisition, property, plant and equipment and prepaid land lease payments amounted to RMB851.2 million in total, mainly comprising investments of: (1) RMB535.9 million for the DYK Chemical Plant Phase II Expansion Project; (2) RMB101.4 million for the Huahe 520,000 tonnes/year Urea Project; (3) RMB68.4 million for production plant upgrades, product research and development and equipment purchases; and (4) RMB145.5 million for expansion and improvement of Basuo Port.

Pledge of assets

As at 30 June 2012, 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 maximize 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 2012 was 3.14%, an increase of 0.1% from 3.04% as at 31 December 2011, primarily attributable to new short-term borrowings of RMB18.2 million for Guangxi Fudao's tradings during the reporting period.

Cash and cash equivalents

The Group's cash and cash equivalents at the beginning of the reporting period were RMB2,803.3 million. Net cash inflows from operating activities for the reporting period were RMB1,325.5 million, net cash outflows from investing activities were RMB780.8 million, and net cash outflows from financing activities were RMB917.0 million. As at 30 June 2012, the Group's cash and cash equivalents were RMB2,431.0 million. The Group has sufficient cash flow to meet the capital demand for its daily operation and future development.

Human resources and training

As at 30 June 2012, the Group had 5,961 employees. The Company adopts a comprehensive remuneration system 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 1,652 training courses in strict compliance with its annual training plan with a total of 31,064 enrolments and 165,494 training hours.

Market risks

The major market risks of the Group are exposure to changes in the selling prices of the key products and costs of raw materials (mainly natural gas, phosphate ore, ammonia and sulphur), fuels (mainly coal) and energies as well as fluctuations in interest rates or exchange rates.

Commodity price risk

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

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 between 6.2670 to 6.3359. Fluctuation in exchange rate of RMB against US dollar may affect the Group's revenue from product and import prices for equipment and raw materials.

As at 30 June 2012, the Group had no debts which were denominated in US dollar.

Inflation and currency risk

According to the National Bureau of Statistics of China, the consumer price index of the PRC increased by 3.3% during the reporting period, which did not have a significant effect on the Group's operating results.

Post balance sheet events and contingent liabilities

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

As at 30 June 2012, the Group had no material contingent liabilities.

Material litigation and arbitration

As at 30 June 2012, the Group had no material litigation and arbitration.

4. Sector Outlook

Looking forward to the second half of 2012, the country will enter into the low-season for the use of chemical fertilisers, while the easing of coal prices will also bring pressure to the domestic market for chemical fertilisers. However, strong international prices for agricultural products should drive the international demand for chemical fertilisers, while exports of chemical fertilisers and domestic buffer inventory during winter season will provide support for the domestic prices of chemical fertilisers.

For the chemicals segment, the global economy will recover slowly, and the PRC economy is expected to stabilise. The rebound of international energy prices and the development of alternative use of energy as well as methanol-to-olefin would stabilize China's demand for methanol. However, the weakness in demand in the domestic POM market is not expected to reverse in the short term.

5. Our Key Tasks in the Second Half of 2012

1. Comprehensively enhance our management with effective measures implemented so as to address prominent issues of the Company as well as solidify our development foundation, while facilitating innovative management, consolidating our competitive strengths and risk resistance capacity to enhance our operational efficiency as well as economical benefits;
2. Strengthen production and HSE management, further enhance the refined management on operation of our production facilities to ensure safe, stable and highly effective operation of the existing plants and endeavor to achieve the annual production and operation targets;
3. Continue to optimise the production technology of the POM plant in Inner Mongolia in order to enhance the quality of our products;
4. Fully utilize the export windows of urea and phosphate fertilisers in low season during the second half of the year to ensure smooth product sales, while enhancing efforts on the sales of POM products to expand the market shares of our POM products;
5. Advance the construction of the coal-based urea project in Hegang, Heilongjiang and strive to complete the feasibility report and the governmental review and approval process for the ancillary coal mine as planned;
6. Continue to optimize the proposal for the conversion from natural gas-based to coal-based in CNOOC Tianye, Inner Mongolia;

7. Resolve as soon as possible the dispute with the joint venture partner of the Yangpoquan coal mine in Hualu, Shanxi;
8. Continue to look out for merger and acquisition opportunities in China and overseas that fit the development strategy of the Company.

(IV) SUPPLEMENTAL INFORMATION

Audit Committee

The Audit Committee has reviewed, with the management, the accounting principles and standards adopted by the Group and discussed internal control and financial reporting matters, including the review of the interim results for the six months ended 30 June 2012. The Group's unaudited interim results for the six months ended 30 June 2012 have been reviewed independently by the Company's external auditor Ernst & Young 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 the independent auditor Ernst & Young has any disagreement over the accounting treatments adopted in preparing the interim results during the reporting period.

Corporate Governance

The Company strives to maintain a high level of corporate governance in order to enhance transparency and ensure the protection of the overall interests of the shareholders. The Company complied with all Code Provisions as set out in the Code on Corporate Governance Practices (formerly set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) for the three months ended 31 March 2012 and all Code Provisions of the Corporate Governance Code (the new edition of the Code on Corporate Governance Practices, which is applicable to financial reports covering a period after 1 April 2012) as set out in Appendix 14 to the Listing Rules for the three months ended 30 June 2012.

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

Having made specific enquiries with all directors and supervisors of the Company, the board of directors confirms that all of its members and the supervisors have complied with the required standards as set out in the Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 of the Listing Rules during the six months ended 30 June 2012.

Purchase, sale and redemption of the Company's listed securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2012.

Disclosure of information on the website of the Stock Exchange

This results announcement is published on the HKExnews website at <http://www.hkexnews.hk> and the Company's website at <http://www.chinabluechem.com.cn>. The 2012 Interim Report will be available on the HKExnews and the Company's websites in due course.

By Order of the Board
China BlueChemical Ltd.*
LI Hui
Chairman

Hong Kong, People's Republic of China, 21 August 2012

As at the date of this announcement, the Executive Director of the Company is Mr. YANG Yexin; the Non-executive Directors are Mr. LI Hui, Mr. YANG Shubo and Mr. ZHU Lei; the Independent Non-executive Directors are Mr. GU Zongqin, Ms. LEE Kit Ying, Karen and Mr. LEE Kwan Hung, Eddie.

* *For identification purpose only*