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中海石油化学股份有限公司
China BlueChemical Ltd.*

(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 2013

FINANCIAL HIGHLIGHTS

1. Revenue amounted to RMB5,222.0 million
2. Gross profit amounted to RMB1,551.4 million
3. Net profit attributable to owners of the parent amounted to RMB958.0 million
4. Basic earnings per share was RMB0.21

* for identification purpose only

(I) UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2013

		Six months ended	
		30 June 2013	30 June 2012
		(Unaudited)	(Unaudited/ restated)
	Notes	RMB'000	RMB'000
Revenue	4	5,222,016	5,001,295
Cost of sales		(3,670,583)	(3,480,811)
Gross profit		1,551,433	1,520,484
Other income and gains	4	93,369	74,792
Selling and distribution costs		(120,153)	(87,816)
Administrative expenses		(174,258)	(184,705)
Other expenses		(37,334)	(13,200)
Finance income		4,598	7,940
Finance costs		—	(8,316)
Exchange gains (losses), net		3,515	(1,561)
Share of profits (losses) of joint ventures		1,051	(679)
Share of profits of associates		50	58
Profit before tax		1,322,271	1,306,997
Income tax expenses	5	(285,016)	(296,657)
Profit for the period	6	1,037,255	1,010,340
Profit for the period attributable to:			
— Owners of the parent		957,951	908,454
— Non-controlling interests		79,304	101,886
		1,037,255	1,010,340
Earnings per share attributable to ordinary owners of the parent			
— Basic for the period (RMB)	7	0.21	0.20
— Diluted for the period (RMB)	7	0.21	0.20

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

For the six months ended 30 June 2013

	Six months ended	
	30 June 2013	30 June 2012
	(Unaudited)	(Unaudited/ restated)
	RMB'000	RMB'000
Profit for the period	<u>1,037,255</u>	<u>1,010,340</u>
Other comprehensive income that may be reclassified subsequently to profit or loss		
Fair value gains on unlisted investments during the period	36,126	51,989
Less: Reclassification adjustment upon maturity of unlisted investments	<u>(36,126)</u>	<u>(51,989)</u>
Total comprehensive income for the period	<u><u>1,037,255</u></u>	<u><u>1,010,340</u></u>
Total comprehensive income for the period attributable to:		
Owners of the parent	957,951	908,454
Non-controlling interests	<u>79,304</u>	<u>101,886</u>
	<u><u>1,037,255</u></u>	<u><u>1,010,340</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

		30 June 2013	31 December 2012
		(Unaudited)	(Audited/ restated)
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		9,938,784	9,997,415
Prepayments for property, plant and equipment		396,054	396,926
Mining rights		477,547	478,399
Prepaid land lease payments		624,554	514,211
Intangible assets		119,214	124,872
Investments in joint ventures		214,949	121,151
Investments in associates		846,872	654,433
Available-for-sale investments		600	600
Deferred tax assets		96,867	139,319
		12,715,441	12,427,326
CURRENT ASSETS			
Inventories		1,721,310	1,633,194
Trade receivables	8	116,915	96,520
Bills receivable	8	122,333	83,890
Prepayments, deposits and other receivables		353,457	298,744
Pledged bank deposits		—	3,995
Bank balances and cash		1,890,138	2,563,666
		4,204,153	4,680,009
TOTAL ASSETS		16,919,594	17,107,335

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)**

At 30 June 2013

		30 June 2013	31 December 2012
		(Unaudited)	(Audited/ restated)
	<i>Notes</i>	RMB'000	RMB'000
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Issued capital		4,610,000	4,610,000
Reserves		8,865,819	7,907,868
Proposed dividends	9	—	691,500
Equity attributable to owners of the parent		<u>13,475,819</u>	<u>13,209,368</u>
Non-controlling interests		<u>1,279,227</u>	<u>1,417,305</u>
TOTAL EQUITY		<u>14,755,046</u>	<u>14,626,673</u>
NON-CURRENT LIABILITIES			
Benefits liability		23,659	48,590
Interest-bearing bank borrowings		5,000	—
Other long-term liabilities		156,223	152,180
Deferred tax liabilities		32,761	72,775
		<u>217,643</u>	<u>273,545</u>
CURRENT LIABILITIES			
Trade payables	10	391,465	405,282
Bills payable	10	88,450	23,100
Other payables and accruals		1,247,591	1,632,245
Obligation arising from a put option to a non-controlling shareholder		94,242	—
Derivative financial instruments		31,882	—
Income tax payable		93,275	146,490
		<u>1,946,905</u>	<u>2,207,117</u>
TOTAL LIABILITIES		<u>2,164,548</u>	<u>2,480,662</u>
TOTAL EQUITY AND LIABILITIES		<u>16,919,594</u>	<u>17,107,335</u>
NET CURRENT ASSETS		<u>2,257,248</u>	<u>2,472,892</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>14,972,689</u>	<u>14,900,218</u>
NET ASSETS		<u>14,755,046</u>	<u>14,626,673</u>

(II) NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

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 HK\$1.90 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”).

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

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board (“IASB”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, certain new, revised or amendments to International Financial Reporting Standards (“IFRSs”) (“new and revised IFRSs”) that are mandatorily effective for the current interim period. The application of these new and revised IFRSs in the current interim period, except for those described below, has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

A. Application of new and revised IFRSs

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current period, the Group has applied for the first time IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as revised in 2011) together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding the transitional guidance. The application of IFRS 10 has had no material impact on the condensed consolidated financial statements after the assessment carried out by the directors. IAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements. The application of IFRS12 will result in more disclosures in the consolidated financial statements for the year ending 31 December 2013.

Impact of the application of IFRS 11

IFRS 11 replaces IAS 31 Interests in Joint Ventures, and the guidance contained in a related interpretation, SIC-13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers, has been incorporated in IAS 28 (as revised in 2011).

IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under IFRS 11, there are only two types of joint arrangements — joint operations and joint ventures. The classification of joint arrangements under IFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, IAS 31 contemplated three types of joint arrangements — jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under IAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable Standards.

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of IFRS 11. The directors concluded that the Group's investment in Guizhou Jinlin Chemical Co., Ltd. ("Guizhou Jinlin") and Yantai Port Fertiliser Logistics Co., Ltd. ("Yantai Logistics"), which were classified as jointly controlled entities under IAS 31 and were accounted for using the proportionate consolidation method, should be classified as joint ventures under IFRS 11 and accounted for using the equity method.

The change in accounting of the Group's investment in Guizhou Jinlin and Yantai Logistics have been applied in accordance with the relevant transitional provisions set out in IFRS 11. The initial investment as at 1 January 2012 for the purposes of applying the equity method is measured as the aggregate of the carrying amounts of the assets and liabilities that the Group had previously proportionately consolidated (see the tables below for details). Also, the directors of the Company performed an impairment assessment on the initial investment as at 1 January 2012 and concluded that no impairment loss is required. The measure reported for resource allocation and segment's performance assessment is revised in the current period as a result of the application of IFRS 11 and details are set out in note 3. Comparative amounts have been restated to reflect the aforesaid changes in accounting for the Group's investment in Guizhou Jinlin and Yantai Logistics.

IFRS 13 Fair Value Measurement

The Group has applied IFRS 13 for the first time in the current interim period. IFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various IFRSs. Consequential amendments have been made to IAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

IFRS 13 applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. IFRS 13 contains a new definition for “fair value” and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under the current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosures requirements.

In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, a “statement of comprehensive income” is renamed as a “statement of profit or loss and other comprehensive income” and an “income statement” is renamed as a “statement of profit or loss”. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

IAS 19 Employee Benefits (as revised in 2011)

In the current period, the Group has applied IAS 19 Employee Benefits (as revised in 2011) and the related consequential amendments for the first time.

IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the “corridor approach” permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a “net interest” amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset.

The Group considered that there is no material financial impact arising from the application of IAS 19 (as revised in 2011).

IFRIC 20 Stripping Cost in the Production Phase of a Surface Mine

IFRIC 20 *Stripping Cost in the Production Phase of a Surface Mine* applies to waste removal costs that are incurred in surface mining activity during the production phase of a mine (“production stripping costs”). Under the Interpretation, the costs from this waste removal activity (“stripping”) which provide improved access to ore is recognised as a non-current asset (“stripping activity asset”) when certain criteria are met, whereas the costs of normal on-going operational stripping activities are accounted for in accordance with IAS 2 Inventories. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part. Previously, the Group accounted for the stripping costs in production phase of a surface mine in inventories and amortised with the units of production method.

The Group has applied the relevant transitional provisions and restated the comparative amounts. The unamortised costs previously recorded in inventories are reclassified as a part of property, plant and equipment to which the stripping activity related, to the extent that there remains an identifiable component of the ore body with which the predecessor stripping asset can be associated. Such balances is depreciated on units of production method of the identified component of the ore body to which each predecessor stripping asset balance relates (see the tables below for details).

Amendments to IAS 34 Interim Financial Reporting (as part of the Annual Improvements to IFRSs 2009-2011 Cycle)

The Group has applied the amendments to IAS 34 Interim Financial Reporting as part of the Annual Improvements to IFRSs 2009 — 2011 Cycle for the first time in the current interim period. The amendments to IAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker (“CODM”) and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment. There has been no material change in the amounts of total assets and total liabilities of reportable segments since disclosed in the last annual financial statements after taking into account the impact arising from the application of the new and revised IFRSs and no such information is presented in the condensed consolidated financial statements.

Summary of the effects of the above changes in accounting policies

The effects of changes in accounting policies described above on the results for the current and prior period by line items are as follows:

	Six months ended 30 June 2013		Six months ended 30 June 2012	
	IFRS 11 RMB'000	IFRIC 20 RMB'000	IFRS 11 RMB'000	IFRIC 20 RMB'000
Decrease in revenue	(9,059)	—	—	—
Decrease in cost of sales	(9,460)	—	—	—
Decrease in other income and gains	(223)	—	(240)	—
Decrease in administrative expenses	(1,063)	—	(1,520)	—
Decrease in finance income	(238)	—	(601)	—
Decrease in finance costs	(48)	—	—	—
Increase in share of profits (losses) of joint ventures	1,051	—	(679)	—
Profit and total comprehensive income for the period	—	—	—	—

The effects of the above changes on the financial positions of the Group as at 1 January 2012 and 31 December 2012 by line items are as follows:

	As at 1/1/2012				As at 31/12/2012				As at 31/12/2012	
	(originally stated)				(restated)				(restated)	
	RMB'000	IFRS 11 RMB'000	IFRIC 20 RMB'000	Others RMB'000	RMB'000	RMB'000	IFRS 11 RMB'000	IFRIC 20 RMB'000	Others RMB'000	RMB'000
Property, plant and equipment	9,347,634	(37,055)	43,155	—	9,353,734	10,031,001	(72,431)	38,845	—	9,997,415
Prepayment for property, plant and equipment	—	—	—	458,350	458,350	—	—	—	396,926	396,926
Mining rights	482,868	(2,917)	—	—	479,951	481,304	(2,905)	—	—	478,399
Intangible assets	129,685	(46)	—	—	129,639	124,905	(33)	—	—	124,872
Investments in joint ventures	—	121,084	—	—	121,084	—	121,151	—	—	121,151
Inventories	1,473,422	—	(43,155)	—	1,430,267	1,672,210	(171)	(38,845)	—	1,633,194
Trade receivables	147,272	—	—	—	147,272	97,830	(1,310)	—	—	96,520
Prepayments, deposits and other receivables	730,989	(21,145)	—	(458,350)	251,494	723,822	(28,152)	—	(396,926)	298,744
Available-for-sale investments	—	—	—	—	—	11,610	(11,610)	—	—	—
Time deposits	32,850	(32,850)	—	—	—	13,500	(13,500)	—	—	—
Bank balances and cash	2,803,266	(35,846)	—	—	2,767,420	2,578,880	(15,214)	—	—	2,563,666
Other long-term liability	(129,802)	—	—	—	(129,802)	(153,598)	1,418	—	—	(152,180)
Deferred tax liability	(71,796)	—	—	—	(71,796)	(72,870)	95	—	—	(72,775)
Other payables and accruals	(1,765,424)	8,775	—	—	(1,756,649)	(1,654,907)	22,662	—	—	(1,632,245)
Total effects on net assets	<u>13,180,964</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>13,180,964</u>	<u>13,853,687</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>13,853,687</u>

Impact on cash flows for the six months ended 30 June 2013 and 2012 on the application of IFRS 11

	Six months ended	
	30 June 2013 RMB'000	30 June 2012 RMB'000
Increase in net cash from operating activities	<u>9,152</u>	<u>5,145</u>
Net cash used in investing activities:		
Decrease in purchase of available-for-sale investment	—	11,610
Decreased in non-pledged time deposits with original maturity of three months or more when acquired	(13,500)	(19,350)
Decrease in purchases of property, plant and equipment	91,431	8,254
Increase in addition to investment in a joint venture	(89,037)	—
Decrease in other investing activities	(227)	(215)
	<u>(11,333)</u>	<u>299</u>
Net cash used in financing activities:		
Decrease in other financing activities	(518)	(51)
Net cash (outflow) inflow	<u>(2,699)</u>	<u>5,393</u>

Impact on earnings per share

The above changes in accounting policies has no impact on the basic earnings per share or diluted earnings per share for the six months ended 30 June 2013 and 2012.

B. Adoption of new accounting policy in the interim period

Obligation arising from put and call options on shares of a subsidiary written to/granted from a non-controlling shareholder

Put option written to and call option granted from a non-controlling shareholder, which will be settled other than by exchange of fixed amount of cash for a fixed number of shares in a subsidiary are accounted for as derivatives and are recognised at fair value upon initial recognition. Any changes of fair value in subsequent reporting dates are recognised in profit or loss.

The gross financial liability arising from the put option is recognised when contractual obligation to repurchase the shares in a subsidiary is established even if the obligation is conditional on the counterparty exercising a right to sell back the shares to the Group. The liability for the share redemption amount is initially recognised and measured at present value of the estimated repurchase price with the corresponding debit to the non-controlling interests. In subsequent periods, the remeasurement of the present value of the estimated gross obligation under the written put option to the non-controlling shareholder is recognised in profit or loss.

3. OPERATING SEGMENT INFORMATION

The accounting policies of the reportable segments are the same as the Group's accounting policies. The measure reported for resource allocation and segment's performance assessment is revised in the current period upon the application of the new and revised IFRSs as detailed in Note 2 and the corresponding segment information for the six-month period ended 30 June 2012 has been restated accordingly. There is no other change in reported measure since the last annual financial statements.

The following is an analysis of the Group's revenue and results by reportable segments:

	Phosphorus					
	Urea	fertiliser	Methanol	Others	Elimination	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Six months ended 30 June 2013 (Unaudited)						
Segment revenue:						
Sales to external customers	1,917,582	1,029,462	1,576,817	698,155	—	5,222,016
Inter-segment sales	31,853	—	11,807	247,688	(291,348)	—
Total	1,949,435	1,029,462	1,588,624	945,843	(291,348)	5,222,016
Segment results:						
Segment profit before tax	<u>840,032</u>	<u>31,991</u>	<u>481,020</u>	<u>(23,793)</u>	<u>—</u>	<u>1,329,250</u>
Interest and unallocated income						48,020
Corporate and other unallocated expenses						(27,733)
Exchange gains, net						3,515
Change in fair value of derivative financial instrument						(31,882)
Share of profits of joint ventures						1,051
Share of profits of associates						50
Profit before tax						<u>1,322,271</u>
Six months ended 30 June 2012 (Unaudited/restated)						
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	(141,640)	—
Total	1,902,877	660,455	1,679,940	899,663	(141,640)	5,001,295
Segment results:						
Segment profit before tax	<u>704,318</u>	<u>33,109</u>	<u>633,482</u>	<u>(36,709)</u>	<u>—</u>	<u>1,334,200</u>
Interest and unallocated income						14,148
Corporate and other unallocated expenses						(30,853)
Finance costs						(8,316)
Exchange losses, net						(1,561)
Share of losses of joint ventures						(679)
Share of profits of associates						58
Profit before tax						<u>1,306,997</u>

(1) Inter-segment sales are eliminated on consolidation.

(2) Segment result for each operating segment does not include interest and unallocated income, corporate and other unallocated expenses, finance costs, net exchange gains (losses), share of profits (losses) of joint ventures and associates.

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 2013 (Unaudited) RMB'000	30 June 2012 (Unaudited/ restated) RMB'000
Revenue		
Sale of goods	5,014,547	4,801,341
Rendering of services	207,469	199,954
	<u>5,222,016</u>	<u>5,001,295</u>
Other income and gains		
Gain on maturity of unlisted investments	36,126	51,989
Gain on disposal of prepaid land lease payments	38,361	—
Income from sale of other materials	10,734	8,987
Income from rendering of other services	2,228	4,003
Gross rental income	119	363
Government grants	3,465	5,143
Others	2,336	4,307
	<u>93,369</u>	<u>74,792</u>

5. INCOME TAX EXPENSES

	Six months ended	
	30 June 2013 (Unaudited) RMB'000	30 June 2012 (Unaudited) RMB'000
Current tax in the PRC	282,578	294,568
Deferred tax	2,438	2,089
	<u>285,016</u>	<u>296,657</u>

(a) Enterprise income tax (“EIT”)

Under the Law of the People’s Republic of China on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

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

CNOOC Tianye Limited (“CNOOC Tianye”), a subsidiary of the Company, is entitled to preferential tax rate of 15% for the three years ending 31 December 2014 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 EIT rate of 15% for the three years ending 31 December 2013 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 EIT for the five years ended 31 December 2009 and a 50% reduction in the applicable EIT rate for the five years ending 31 December 2014 as the company is engaged in infrastructure development and operation.

(b) Hong Kong profits tax

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for both periods.

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 2013 and 2012.

6. PROFIT FOR THE PERIOD

The Group’s profit for the period is arrived at after charging:

	Six months ended	
	30 June 2013	30 June 2012
	(Unaudited)	(Unaudited/ restated)
	RMB’000	RMB’000
Cost of inventories sold	3,404,503	3,237,427
Cost of services provided	218,081	164,332
Depreciation of property, plant and equipment	398,572	379,348
Amortisation of mining rights	852	655
Amortisation of prepaid land lease payments	7,976	5,963
Amortisation of intangible assets	5,658	4,813
Changes in fair value of derivative financial instrument, included in other expenses	31,882	—
Write-down of inventories to net realisable value, included in cost of sales	18,194	51,079

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY OWNERS OF THE PARENT

	Six months ended	
	30 June 2013	30 June 2012
	(Unaudited)	(Unaudited)
	RMB’000	RMB’000
Profit for the period attributable to owners of the parent	957,951	908,454

	Six months ended	
	30 June 2013	30 June 2012
	'000	'000
Number of ordinary shares	<u><u>4,610,000</u></u>	<u><u>4,610,000</u></u>

The Group had no potential dilutive ordinary shares in issue during these periods.

8. TRADE RECEIVABLES AND BILLS RECEIVABLE

Sales of the Group's fertilisers including urea, MAP and DAP are normally settled on an advance receipt basis either by cash or by bank acceptance drafts from customers. 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 generally on one-month credit, except for some high-credit customers, where payments may be extended.

An aging analysis of trade receivables and bills receivable 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 2013 (Unaudited) RMB'000	31 December 2012 (Audited/ restated) RMB'000
Within six months	234,602	170,153
Over six months but within one year	2,027	8,040
Over one year but within two years	1,237	2,123
Over two years but within three years	1,382	94
	<u><u>239,248</u></u>	<u><u>180,410</u></u>

As at 30 June 2013, the amount due from CNOOC's subsidiaries, joint ventures and associates ("CNOOC group companies") included in the above balances was RMB13,271,000 (31 December 2012: RMB13,806,000). 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.

During the current interim period, a final dividend of RMB0.15 per share in respect of the year ended 31 December 2012 (six months ended 30 June 2012: RMB0.16 per share in respect of the year ended 31 December 2011) was declared and paid to the owners of the parent. The aggregate amount of the final dividend declared and paid in the interim period amounted to RMB691,500,000 (six months ended 30 June 2012: RMB737,600,000).

The board of directors of the Company did not recommend the payment of interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: 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 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
Within six months	451,633	403,328
Over six months but within one year	15,831	13,753
Over one year but within two years	1,347	3,944
Over two years but within three years	5,858	2,733
Over three years	5,246	4,624
	479,915	428,382

As at 30 June 2013, the amount due to the ultimate holding company and CNOOC group companies included in the above balances was RMB520,000 (31 December 2012: RMB50,000) and RMB 224,718,000 (31 December 2012: RMB225,407,000) respectively.

(III) MANAGEMENT DISCUSSION AND ANALYSIS

1. Sector Review

Fertiliser Industry

In 2013, the PRC government firmly supports and protects the agricultural sector and continues to reinforce policies for strengthening, benefiting as well as enriching the agricultural sector, rural areas and farmers, with a total investment of RMB1,379.9 billion allocated to the agricultural sector, rural areas and farmers for 2013, an increase of approximately 12% over 2012. Meanwhile, in order to promote growth in grain production and motivate farmers to farm grains, the PRC government has continued to raise the minimum purchase prices of wheat and rice to RMB2.24 per kilogram and RMB2.64 to RMB3.00 per kilogram, respectively, representing an increase of 9.8% and 7.1% to 10%, respectively, over the relevant minimum purchase price in 2012.

In the first half of 2013, growth in global demand for chemical fertilisers in the agricultural sector remained steady, but a significant increase in the supply of chemical fertilisers had led to an excess of supply over demand in the global chemical fertiliser market.

In 2013, low-season export tariff rate for domestic urea has been reduced to 2%, from 7% in 2012, and export benchmark price for domestic urea has increased to RMB2,260 per tonne, from RMB2,100 per tonne in 2012; low-season export tariff rate for domestic ammonium phosphate has been reduced to 5%, from 7% in 2012, export benchmark price for MAP has increased to RMB3,200 per tonne, from RMB2,900 per tonne in 2012 and export benchmark price for DAP has increased to RMB3,500 per tonne, from RMB3,400 per tonne in 2012, while low-season export period for ammonium phosphate has been extended by one month.

(I) Urea

Domestic urea production volume in the first half of 2013 was approximately 35.94 million tonnes (in kind), representing an increase of approximately 10% over the same period in 2012.

In the first quarter of 2013, the domestic market price of urea fluctuated within a narrow range of RMB2,250 to RMB2,300 per tonne. As the production cost of domestic coal-based urea was dragged down by a significant drop in the domestic coal price, the supply of urea increased significantly, which led to a drop in the domestic market price of urea since mid-April 2013. As at the end of June, the domestic market price of urea dropped to between RMB1,750 and RMB1,800 per tonne.

(II) Phosphate fertilisers

In the first half of 2013, domestic production volume of ammonium phosphate was approximately 12.30 million tonnes (in kind), representing an increase of approximately 6% over the same period in 2012.

In the first four months of 2013, the domestic market price of ammonium phosphate remained stable. From mid-May, the domestic price of DAP began falling significantly as the domestic ammonium phosphate market entered its low season in May and the international price of phosphate fertiliser dropped due to the combined effect of a cut

in subsidies to ammonium phosphate products by, and currency depreciation in, India, a major importer. As at the end of June, the domestic market price of DAP dropped to approximately RMB2,850 per tonne.

Chemical Industry

In the first half of 2013, while growth in the demand for methanol from traditional downstream sectors was adversely affected by the slowdown of domestic economic growth, the demand for methanol in the PRC market was primarily driven by the demand for methanol as an alternative energy and methanol-to-olefin.

The growth in the demand for POM in the domestic market has been sluggish as a result of the slowdown of the international economic recovery and domestic economic growth.

(1) Methanol

In the first half of 2013, domestic methanol production volume was approximately 13.64 million, representing an increase of approximately 8% over the same period in 2012.

In the first quarter of 2013, the major domestic markets for methanol remained stable with the prices fluctuating within a narrow range of RMB2,700 to RMB2,850 per tonne. Since late April, methanol price has slightly dropped due to the effect of a decrease in energy prices. As at the end of June, the price of methanol in major domestic markets was approximately RMB2,550 per tonne.

(2) POM

In the first half of 2013, domestic POM production volume was approximately 90,000 tonnes, representing a decrease of approximately 30% over the same period in 2012.

As the price of mid-to-low end POM in the domestic market was lower than its production cost, a decrease in the utilization rate of domestic POM manufacturers in the first half of 2013 resulted in a reduction in the supply of POM. As a result, severe oversupply of mid-to-low end POM has been alleviated. In the first half of 2013, the price of mid-to-low end POM in the domestic market started to rebound to RMB9,500 per tonne at the end of June, from RMB8,200 per tonne at the beginning of 2013.

2. Business Review

During the reporting period, the Company ensured the safe and stable operation at its major plants. Fudao Phase I Urea Plant, CNOOC Tianye Urea Plant and CNOOC Tianye Methanol Plant have all broken their respective records for long-period operation. Having benefited from a sufficient supply of natural gas and refined production management, the Company increased its urea production volume in the first half of 2013 to a new record; despite the significant increase in the utilization rate of CNOOC Tianye Methanol Plant, due to the overhauls of Hainan Phase I Methanol Plant and the shutdown for inspection of the upstream natural gas field on Hainan Phase II Methanol Plant, the utilization rate of our methanol plants remained unchanged as compared to the same period last year. Due to the inspection and repair carried out by DYK DAP Phase I for the trial production of high-end compound fertilisers and the inspection and repair carried out by DYK DAP Phase II, the utilization rate of our phosphate fertilisers plants was lower than that in the same period last year. The Company continued to control its POM production volume in

alignment with its sales, and inspection and repair of POM plant have been conducted as planned to further optimize production techniques of POM as well as enhance product quality, resulting in a relatively lower level utilization rate of our POM plant.

During the reporting period, increasingly fierce competition in the domestic and international markets of chemical fertilisers put pressure on the sales of our chemical fertiliser products. Responding to such challenge, the Company has adjusted its sales strategies in due course, strengthened the trend-tracking and research work on the domestic market of chemical fertilisers, explored new sales channels while solidifying our existing sales network, and further implemented incentive measures for distributors to ensure the sales of our chemical fertiliser products.

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					
	2013			2012		
Chemical fertilisers	Production	Sales	Utilisation	Production	Sales	Utilisation
	<i>(tonnes)</i>	<i>(tonnes)</i>	<i>(%)</i>	<i>(tonnes)</i>	<i>(tonnes)</i>	<i>(%)</i>
<i>Urea</i>						
Fudao Phase I	295,422	282,919	113.6	241,289	249,641	92.8
Fudao Phase II	421,414	374,271	105.4	359,142	366,564	89.8
CNOOC Tianye	297,804	300,290	114.5	247,632	237,077	95.2
Group total	<u>1,014,640</u>	<u>957,480</u>	<u>110.3</u>	<u>848,063</u>	<u>853,282</u>	<u>92.2</u>
<i>Phosphate fertilisers</i>						
DYK MAP	31,747	10,270	42.3	18,169	17,927	24.2
DYK DAP Phase I	150,780	124,194	86.2	198,527	197,979	113.4
DYK DAP Phase II (Note)	226,837	199,504	90.7	—	—	—
Group total	<u>409,364</u>	<u>333,968</u>	<u>81.9</u>	<u>216,696</u>	<u>215,906</u>	<u>86.7</u>
Chemical products						
<i>Methanol</i>						
Hainan Phase I	269,552	267,768	89.9	321,586	305,461	107.2
Hainan Phase II	382,508	379,363	95.6	373,673	397,126	93.4
CNOOC Tianye	103,489	91,958	103.5	57,754	36,480	57.8
Group total	<u>755,549</u>	<u>739,089</u>	<u>94.4</u>	<u>753,013</u>	<u>739,067</u>	<u>94.1</u>
<i>POM</i>						
CNOOC Tianye POM	5,998	7,873	20.0	16,529	16,438	55.1
Group total	<u>5,998</u>	<u>7,873</u>	<u>20.0</u>	<u>16,529</u>	<u>16,438</u>	<u>55.1</u>

Note: The DYK DAP Phase II Plant commenced commercial operation on 1 August 2012. Its production volume in 2012 was included from the date of the commencement of commercial operation.

BB fertilisers

In the first half of 2013, the Group produced a total of 33,605 tonnes of BB fertilisers with a sales volume of 32,365 tonnes.

Compound fertilisers

In the first half of 2013, the Group produced a total of 4,410 tonnes of compound fertilisers.

3. Financial Review

Revenue and gross profit

During the reporting period, the Group's revenue was RMB5,222.0 million, an increase of RMB220.7 million, or 4.4%, from RMB5,001.3 million in the same period of 2012.

During the reporting period, the Group's external revenue from urea was RMB1,917.6 million, an increase of RMB61.9 million, or 3.3%, from RMB1,855.7 million in the same period of 2012. The increase was primarily attributable to: (1) the long-period operation of the Group's three urea plants with high utilisation rates, helped by a sufficient supply of natural gas in the reporting period, resulting in a substantial increase in the production volume of urea and an increase in the sales volume of urea by 104,198 tonnes as compared to the same period last year, leading to an increase in revenue by RMB208.7 million, with such increase partially offset by (2) a decrease in revenue by RMB146.8 million due to a drop in urea price by RMB172.1 per tonne.

During the reporting period, the Group's external revenue from phosphate fertilisers was RMB1,029.5 million, an increase of RMB369.0 million, or 55.9%, from RMB660.5 million in the same period of 2012. The increase was primarily attributable to the commencement of commercial production of DYK DAP Phase II in August 2012 which contributed to an increase in the production volume of phosphate fertilisers in the first half of 2013, and an increase in the sales volume of phosphate fertilisers by 118,062 tonnes as compared to the same period last year, resulting in an uplift in revenue by RMB363.9 million.

During the reporting period, the Group's external revenue from the methanol segment was RMB1,576.8 million, a decrease of RMB89.2 million, or 5.4%, from RMB1,666.0 million in the same period of 2012. The decrease was primarily attributable to a decrease in revenue by RMB89.2 million caused by a drop in the selling price of methanol by RMB120.6 per tonne.

During the reporting period, the Group's external revenue from other segments (primarily comprising manufacture and sales of BB fertilisers, POM and woven plastic bags, trading in fertilisers and chemicals, port operations and provision of transportation services) decreased by RMB120.9 million, or 14.8%, to RMB698.2 million as compared to RMB819.1 million in the same period of 2012, which was primarily attributable to (1) a significant decrease in the POM production volume of CNOOC Tianye in Inner Mongolia in the reporting period, with a decrease in revenue by RMB65.2 million caused by a drop in sales volume of POM by 8,565 tonnes as compared to the same period last year; and (2) a decrease in revenue by RMB48.0 million caused by a drop in sales volume of BB fertilisers by 15,615 tonnes.

The Group's gross profit for the reporting period amounted to RMB1,551.4 million, an increase of RMB30.9 million, or 2.0%, from RMB1,520.5 million for the corresponding period of 2012. The increase was primarily attributable to (1) a substantial increase in production volume and sales volume of urea driven by the long-period operation of the Group's three urea plants with high utilisation rates in the reporting period, resulting in an increase in revenue; an increase in production volume had reduced the cost of sales of urea per unit, driving up the gross profit of urea by RMB142.0 million; (2) a decrease in gross profit of methanol by RMB158.6 million for the reporting period owing to an increase in maintenance charges for two methanol plants in Hainan and a decrease in the selling price of methanol; (3) an increase in gross profit of phosphate fertiliser by RMB55.0 million for the reporting period owing to an increase in sales volume of phosphate fertiliser and a decrease in costs of raw materials; and (4) a decrease in the gross profit for other businesses by RMB7.5 million mainly reflecting losses sustained by the POM business.

Other income and gains

The Group's other gains for the reporting period amounted to RMB93.4 million, an increase by RMB18.6 million, or 24.8%, from RMB74.8 million in the same period in 2012. The increase was primarily attributable to: (1) a net income of RMB38.4 million from the transfer of a portion of land by CNOOC Tianye in Inner Mongolia during the reporting period; and (2) a decrease in gains from entrusted asset management investments by RMB15.9 million.

Selling and distribution costs

The Group's selling and distribution costs for the reporting period amounted to RMB120.2 million, an increase of RMB32.4 million, or 36.9%, from RMB87.8 million in the same period of 2012. The increase was primarily attributable to (1) an increase in transportation expenses of RMB47.3 million due to the adjustment of the selling price of DYK phosphate fertiliser from ex-factory price to price delivered to the destination and export of phosphate in the reporting period; and (2) decrease in selling expenses due to decreases in trading volume of Guangxi Fudao and sales volume of POM.

Administrative expenses

The Group's administrative expenses for the reporting period amounted to RMB174.3 million, a decrease of RMB10.4 million, or 5.6%, from RMB184.7 million in the same period of 2012.

Other expenses

The Group's other expenses for the reporting period amounted to RMB37.3 million, an increase of RMB24.1 million, or 182.6%, from RMB13.2 million in the same period of 2012. The increase was principally due to (1) the establishment of CBC (Canada) Holding Corp. ("CBC (Canada)") jointly by the Company and Benewood Holdings Corporation Limited in the reporting period for the acquisition of 19.9% equity interests in Western Potash Corp. ("Western Potash") in Canada. Pursuant to the joint venture agreement, Benewood Holdings Corporation Limited was granted an unconditional put option by the Company and the Company was entitled to a conditional call option, and the options were valued by using Black-Scholes Option Pricing Model. As at 30 June 2013, the loss on such derivative financial instruments was RMB31.9 million, which was partially offset by (2) a decrease in non-operating expense of RMB7.8 million.

Finance income and finance costs

The Group's finance income for the reporting period decreased by RMB3.3 million, or 41.8%, to RMB4.6 million from RMB7.9 million in the same period of 2012. The decrease was principally due to (1) a drop in the interest rate for deposits in domestic banks; and (2) a decrease in the balance of our deposits as compared to the same period of 2012.

The Group's finance costs for the reporting period amounted to RMB nil, a decrease by RMB8.3 million, or 100%, from RMB8.3 million in the same period of 2012. The decrease was primarily attributable to the fact that the Company only had minimum bank borrowings in the reporting period.

Exchange gains (losses), net

During the reporting period, the Group recorded exchange gains of RMB3.5 million, an increase of RMB5.1 million compared with exchange losses of RMB1.6 million in the same period of 2012, which was primarily attributable to (1) exchange gains of RMB1.5 million from dividend payment in the reporting period as compared to exchange losses of RMB1.6 million from dividend payment in the same period last year; and (2) exchange gains of RMB2.0 million from translation from foreign currency to RMB upon the consolidation of CBC (Canada) into the Group.

Income tax expense

The Group's income tax expense for the reporting period was RMB285.0 million, a decrease of RMB11.7 million, or 3.9%, from RMB296.7 million in the same period of 2012. The decrease was primarily attributable to: (1) the decrease in income tax expense by RMB15.2 million due to downward adjustment of the applicable income tax rate to 21.6% for the Group during the reporting period, which was partially offset by (2) the increase in enterprise income tax expense by RMB3.5 million due to the increase in the Group's profit before taxation for the reporting period.

Net profit for the period

The Group's net profit for the reporting period was RMB1,037.3 million, an increase by RMB27.0 million, or 2.7%, from RMB1,010.3 million in the same period of 2012.

Increase in net profit was principally attributable to (1) a substantial increase in production volume and sales volume of urea and phosphate fertiliser, a decrease in cost of sales per unit and a drop in the applicable income tax rate, which was partially offset by (2) a decrease in selling prices of the Group's core products and (3) a decrease in the valuation of the call and put options for equity interests in CBC (Canada).

Dividends

The board of directors of the Company did not recommend the payment of an interim dividend for the six months period ended 30 June 2013.

During the reporting period, the Company distributed the final dividend of RMB691.5 million in cash for 2012.

Capital expenditure

During the reporting period, the Group's capital expenditure in respect of acquisitions, property, plant and equipment as well as prepaid land lease payments amounted to RMB749.4 million. Capital expenditure primarily included: (1) RMB383.2 million for the Huahe 520,000 tonnes/year Urea Project; (2) the capital injection of RMB92.8 million into Guizhou Jinlin by the Company for the payment of mining rights for phosphoric ores; (3) an investment of RMB192.4 million for the acquisition of equity interests in Western Potash by CBC (Canada), a subsidiary of the Group; and (4) an investment of RMB81.0 million for upgrades and equipment purchases for production plants.

Pledge of assets

As at 30 June 2013, the Group did not pledge any assets.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital structure in order to safeguard its normal production and operations, maximising shareholders' value. The Group manages its capital structure and makes timely adjustments to it in light of changes in economic conditions. To maintain or realign our capital structure, the Group may raise capital by way of new debts or issue of new shares. The gearing ratio of the Group as at 30 June 2013 (calculated as interest-bearing liabilities divided by the sum of total equity and interest bearing liabilities) was 0%, in line with that as at 31 December 2012.

Cash and cash equivalents

As at the beginning of the reporting period, the Group's cash and cash equivalents were RMB2,563.7 million. The net cash inflow from operating activities was RMB942.4 million, net cash outflow from investing activities was RMB795.4 million, and net cash outflow from financing activities was RMB820.5 million for the reporting period. As at 30 June 2013, the Group's cash and cash equivalents were RMB1,890.1 million. The Group has sufficient working capital to meet the funds required for its day-to-day operation and future development.

Human resources and training

As at 30 June 2013, the Group had 6,007 employees. The Company has a comprehensive remuneration system and a systematic welfare plan as well as an effective performance appraisal system in place to ensure that the remuneration policy of the Company effectively provides incentive to its staff. The Company determines staff remuneration according to their positions, performance and capability.

During the reporting period, the Company held 2,913 training courses, with a total of 101,074 enrolments and 336,034 training hours according to its annual training plan.

Market risks

The major market risks of the Group are exposure to changes in selling prices of key products and in costs of raw materials (mainly natural gas, phosphate ore, ammonia and sulphur), fuels (mainly coal), energy costs and 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 short-term and 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 ("USD"). During the reporting period, the Renminbi to USD exchange rate ranged between 6.1598 and 6.2898. RMB to USD exchange fluctuation may affect our revenue from sales of products, import of our equipment and raw materials.

Inflation and currency risk

According to the National Bureau of Statistics of China, the consumer price index of the PRC increased by 2.4% during the reporting period, which did not have a significant effect on the Group's operating results for the period.

Subsequent events and contingent liabilities

After the reporting period and up to the date of this announcement, the Group had no material subsequent events or material contingent liabilities.

Material litigation and arbitration

As at 30 June 2013, the Group had no material litigation or arbitration.

4. Sector Outlook

Looking forward to the second half of 2013, a depressed international price of chemical fertiliser, the start of the low season for the use of chemical fertiliser and the expansion of production capacity of chemical fertiliser will intensify the competition in the domestic chemical fertiliser market, but domestic policies on the stockpiling of chemical fertiliser in the low season and the production cost of chemical fertiliser will bolster the domestic market price of chemical fertiliser.

For chemical products, the steady growth in China's economy, the rapid development of methanol as an alternative energy and methanol-to-olefin will drive the domestic demand for methanol, and a relatively low utilization rate of domestic POM manufacturers will contribute to maintain a balance between supply and demand of POM in the domestic market.

5. Our Key Tasks in the second half of 2013

1. To continue to strengthen the refined production management, ensure safe, stable and highly efficient operation of the Company's major plants, further optimize POM production techniques, endeavor to ensure stable operation of the A line of our POM plants at a high utilisation rate, and enhance quality of POM products and ensure the success of the trial production of high-end compound fertilisers at DYK DAP Phase I;

2. To closely monitor market changes, increase export of our urea and phosphate fertilisers by fully leveraging on favourable export policies regarding urea and phosphate fertilisers, properly arrange domestic sales of chemical fertilisers and trial sales of high-end compound fertilisers taking advantage of the imminent commencement of the stockpiling of chemical fertilisers in the low season, well prepare for the commencement of production of the B and C lines of our POM plants by exploring markets for POM's application;
3. To advance the construction of the coal-based urea project in Hegang, Heilongjiang, ensuring the commencement of the trial production in the fourth quarter of 2014;
4. To advance the project in CNOOC Tianye in Inner Mongolia to convert its production from natural gas-based to coal-based as planned;
5. To conduct research on potash development project with Western Potash;
6. To resolve as soon as possible the dispute with the joint venture partner of the Yangpoquan coal mine in Hualu, Shanxi; and
7. To continue to look out for merger and acquisition opportunities in China and overseas that fit the Company's development strategy.

(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 2013. The Group's unaudited interim results for the six months ended 30 June 2013 have been reviewed independently by the Company's external auditor, Messrs. Deloitte Touche Tohmatsu 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 Messrs. Deloitte Touche Tohmatsu has any disagreement over the accounting treatments adopted in preparing the interim results during the reporting period.

Compliance With Corporate Governance Code

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. During the six months ended 30 June 2013, the Company has complied with all code provisions of the Corporate Governance Code as 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").

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

The board of directors of the Company (the "Board") confirms that, having made specific enquiries with all directors and supervisors of the Company, during the six months ended 30 June 2013, all members of the Board and all supervisors have complied with the required standards as set out in the Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Listing Rules.

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

For the six months ended 30 June 2013, 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

This results announcement is published on the HKExnews website (<http://www.hkexnews.hk>) and on the Company's website (<http://www.chinabluechem.com.cn>). The 2013 Interim Report will be available on the HKExnews and the Company's website in due course.

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

Hong Kong, the People's Republic of China, 29 August 2013

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 and Mr. Lee Kwan Hung.

* *for identification purpose only*