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(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 2014**

FINANCIAL HIGHLIGHTS

1. Revenue amounted to RMB5,263.7 million
2. Gross profit amounted to RMB1,404.6 million
3. Net profit attributable to owners of the parent amounted to RMB447.5 million
4. Basic earnings per share was RMB0.10

(I) UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

		Six months ended	
		30 June 2014	30 June 2013
		(Unaudited)	(Unaudited)
	Notes	RMB'000	RMB'000
Revenue	4	5,263,729	5,222,016
Cost of sales		(3,859,154)	(3,670,583)
Gross profit		1,404,575	1,551,433
Other income and gains	4	86,263	93,369
Selling and distribution costs		(193,896)	(120,153)
Administrative expenses		(198,609)	(174,258)
Other expenses		(3,581)	(37,334)
Finance income		4,248	4,598
Finance costs		(286)	—
Exchange gains, net		4,235	3,515
Share of (losses) profits of joint ventures		(150)	1,051
Share of (losses) profits of associates		(380,443)	50
Profit before tax		722,356	1,322,271
Income tax expenses	5	(194,818)	(285,016)
Profit for the period	6	527,538	1,037,255
Profit for the period attributable to:			
Owners of the parent		447,528	957,951
Non-controlling interests		80,010	79,304
		527,538	1,037,255
Earnings per share attributable to ordinary owners of the parent			
— Basic for the period (RMB)	7	0.10	0.21

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

For the six months ended 30 June 2014

	Six months ended	
	30 June 2014	30 June 2013
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit for the period	<u>527,538</u>	<u>1,037,255</u>
Other comprehensive income that may be reclassified subsequently to profit or loss		
Fair value gains on unlisted investments during the period	60,264	36,126
Less: Reclassification adjustment upon maturity of unlisted investments	(60,264)	(36,126)
Exchange differences arising on translation	<u>2,871</u>	<u>—</u>
Total comprehensive income for the period	<u>530,409</u>	<u>1,037,255</u>
Total comprehensive income for the period attributable to:		
Owners of the parent	450,399	957,951
Non-controlling interests	<u>80,010</u>	<u>79,304</u>
	<u>530,409</u>	<u>1,037,255</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

		30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
	<i>Notes</i>		
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		10,727,860	10,810,741
Prepayments for property, plant and equipment		176,647	160,770
Mining and exploration rights		475,686	476,353
Prepaid lease payments	8	615,035	623,119
Intangible assets		119,799	125,078
Investments in joint ventures		213,485	213,635
Investments in associates	9	448,901	828,092
Available-for-sale investments		600	600
Deferred tax assets		310,516	198,413
Other long-term prepayment		12,000	12,000
		<u>13,100,529</u>	<u>13,448,801</u>
CURRENT ASSETS			
Inventories		1,504,983	1,365,805
Trade receivables	10	276,620	111,589
Bills receivable	10	50,977	54,400
Prepayments, deposits and other receivables		699,227	572,626
Pledged bank deposits		31	5,665
Time deposits with original maturity over three months		—	42,944
Cash and cash equivalents		3,025,093	2,933,970
		<u>5,556,931</u>	<u>5,086,999</u>
TOTAL ASSETS		<u><u>18,657,460</u></u>	<u><u>18,535,800</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION — continued

At 30 June 2014

		30 June 2014	31 December 2013
		(Unaudited)	(Audited)
	<i>Notes</i>	RMB'000	RMB'000
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Issued capital		4,610,000	4,610,000
Reserves		9,351,002	8,900,603
Proposed dividends	11	—	645,400
Equity attributable to owners of the parent		<u>13,961,002</u>	<u>14,156,003</u>
Non-controlling interests		<u>1,238,066</u>	<u>1,345,228</u>
TOTAL EQUITY		<u>15,199,068</u>	<u>15,501,231</u>
NON-CURRENT LIABILITIES			
Benefits liability		20,852	23,964
Interest-bearing bank borrowings		576,000	31,000
Deferred tax liabilities		60,529	62,175
Deferred revenue		137,438	135,677
Other long-term liabilities		115,750	115,152
		<u>910,569</u>	<u>367,968</u>
CURRENT LIABILITIES			
Interest-bearing bank borrowings		281,535	—
Trade payables	12	557,086	418,048
Bills payable	12	145,493	120,416
Other payables and accruals		1,381,498	1,798,602
Obligation arising from a put option to a non-controlling shareholder		97,663	92,794
Derivative financial instruments		38,959	47,485
Income tax payable		45,589	189,256
		<u>2,547,823</u>	<u>2,666,601</u>
TOTAL LIABILITIES		<u>3,458,392</u>	<u>3,034,569</u>
TOTAL EQUITY AND LIABILITIES		<u>18,657,460</u>	<u>18,535,800</u>
NET CURRENT ASSETS		<u>3,009,108</u>	<u>2,420,398</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>16,109,637</u>	<u>15,869,199</u>
NET ASSETS		<u>15,199,068</u>	<u>15,501,231</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 are 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, compound fertiliser 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 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following new interpretations and amendments to International Financial Reporting Standards (“IFRSs”) issued by the IASB that are relevant, among others, for the preparation of Group’s condensed consolidated financial statements, and the application of which has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements:

Amendments to IFRS 10, IFRS 12, and IAS 27	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies

3. OPERATING SEGMENT INFORMATION

Information reported to the Chief Executive Officer, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on types of goods and services delivered or produced. During the current interim period, the Group reported the manufacture and sale of compound fertiliser of which started in second half of 2013 under the phosphorus and compound fertiliser segment following changes in information reviewed and used by the Chief Executive Officer, previously included in others segment in last annual financial statements. Saved as the said change, the measure reported for resources allocation and segment's performance assessment is the same as last annual financial statements. Hence, the Group has reportable operating segments as follows:

- (a) the urea segment is engaged in the manufacture and sale of urea;
- (b) the phosphorus and compound fertiliser segment is engaged in the manufacture and sale of MAP, DAP and compound fertiliser;
- (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 Bulk Blending (the “BB”) fertiliser, POM and woven plastic bags, trading of fertilisers and chemicals, port operations and provision of transportation services.

Segment performance is evaluated based on segment result and is measured consistently with profit before tax in the consolidated financial statements. However, segment result for each operating segment does not include interest and unallocated income, corporate and other unallocated expenses, finance costs, net exchange gains, change in fair value of derivative financial instrument, share of (losses)/profits of joint ventures and associates and income taxes, which are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are determined on an arm's length basis in a manner similar to transactions with third parties. Inter-segment sales are eliminated on consolidation.

	Urea <i>RMB'000</i>	Phosphorus and compound fertiliser <i>RMB'000</i>	Methanol <i>RMB'000</i>	Others <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended 30 June 2014						
(Unaudited)						
Segment revenue:						
Sales to external customers	1,620,343	1,089,315	1,814,704	739,367	—	5,263,729
Inter-segment sales	—	—	—	186,792	(186,792)	—
Total	1,620,343	1,089,315	1,814,704	926,159	(186,792)	5,263,729
Segment results:						
Segment profit before tax	<u>447,418</u>	<u>7,320</u>	<u>622,239</u>	<u>1,055</u>	<u>—</u>	<u>1,078,032</u>
Interest and unallocated income						62,269
Corporate and other unallocated expenses						(45,244)
Exchange gains, net						4,235
Change in fair value of derivative financial instrument						3,657
Share of losses of joint ventures						(150)
Share of losses of associates						<u>(380,443)</u>
Profit before tax						<u>722,356</u>
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						<u>50</u>
Profit before tax						<u>1,322,271</u>

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 2014 (Unaudited) RMB'000	30 June 2013 (Unaudited) RMB'000
Revenue		
Sale of goods	5,073,027	5,014,547
Rendering of services	190,702	207,469
	<u>5,263,729</u>	<u>5,222,016</u>
Other income and gains		
Gain on maturity of available-for-sales financial assets	60,264	36,126
Gain on disposal of items of property, plant and equipment	38	—
Gain on disposal of prepaid land lease payments	—	38,361
Income from sale of other materials	9,850	10,734
Income from rendering of other services	4,380	2,228
Gross rental income	1,141	119
Government grants	10,020	3,465
Others	570	2,336
	<u>86,263</u>	<u>93,369</u>

5. INCOME TAX EXPENSES

	Six months ended	
	30 June 2014 (Unaudited) RMB'000	30 June 2013 (Unaudited) RMB'000
Current tax in the PRC	308,567	282,578
Deferred tax	(113,749)	2,438
	<u>194,818</u>	<u>285,016</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%.

CNOOC Fudao Limited and Hubei Dayukou Chemical Co., Ltd., subsidiaries of the Company, are entitled to preferential EIT rate of 15% for the three years ended 31 December 2013 after being assessed as high-tech enterprises. During the six months ended 30 June 2014, EIT rate of 25% applies.

CNOOC Tianye Limited, 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.

Hainan Basuo Port Limited, a subsidiary of the Company, is entitled to 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) **Foreign taxes**

No provision for Canadian and Hong Kong income tax has been made as the Group's subsidiaries had no assessable profits arising in Canada and Hong Kong for both periods.

6. PROFIT FOR THE PERIOD

The Group's profit for the period is arrived at after charging and crediting:

	Six months ended	
	30 June 2014	30 June 2013
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of inventories sold	3,686,565	3,404,503
Cost of services provided	152,065	218,081
Depreciation of property, plant and equipment	413,425	398,572
Amortisation of mining rights	1,111	852
Amortisation of prepaid land lease payments	8,084	7,976
Amortisation of intangible assets	5,726	5,658
Changes in fair value of derivative financial instruments	(8,526)	31,882
Change in fair value of obligation arising from a put option to a non-controlling shareholder	4,869	—
Write-back of bad debts recovered	(8)	—
Write-down of inventories to net realisable value, included in cost of sales	20,524	18,194

7. EARNINGS PER SHARE

	Six months ended	
	30 June 2014	30 June 2013
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit for the period attributable to owners of the parent	447,528	957,951

	Six months ended	
	30 June 2014	30 June 2013
	'000	'000
Number of ordinary shares	4,610,000	4,610,000

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

8. PREPAID LEASE PAYMENTS

There is no addition nor disposal of land use right during the six months ended 30 June 2014. During the six months ended 30 June 2013, the Group acquired RMB142,526,000 land use rights and disposed of RMB21,868,000 land use rights.

In June 2014, CNOOC Hualu Shanxi Coal Chemical Co., Ltd. (“Hualu”), a 51% subsidiary of the Group, was notified by the local land bureau that the idle land, of which the land use right is held by Hualu, is to be seized without compensation according to <Notification to Seize the State Owned Construction Land Use Right> (the “Notification”) issued by the local land bureau. According to the Notification, Hualu is requested to deregister the land use right certificate of its idle land on or before 25 July 2014, or else the local land bureau will announce that land use right certificate as invalid. The legal counsel of the Group is of the opinion that the <Confirmation Letter of Idle Land>, which is a document prepared by the local land bureau prior to the issuance of the Notification, is factually incorrect. The management of the Group has communicated with the local government and up to the date of approval of these condensed consolidated financial statements, the local land bureau has not yet announced the land use right certificate as invalid. In August 2014, administrative appeal to local government was made by the Group against the Notification. Based on the progress of the incident, the management is of the view that it is unlikely that the land use right will be seized without compensation in the near future. In conjunction with the assessment by the management of the recoverable amounts of the land use right and related assets in Hualu, no impairment provision is considered necessary as of 30 June 2014.

9. INVESTMENT IN ASSOCIATES

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Cost of investment in associates	822,261	821,009
Share of post-acquisition profits and other comprehensive income, net of dividends received, including impairment of Shanxi Hualu Yangpoquan Coal Mining Co., Ltd. (<i>note</i>)	(373,360)	7,083
	<u>448,901</u>	<u>828,092</u>

The above associate is accounted for using the equity method in these consolidated financial statements.

Particulars of the associates of the Group are set out as follows:

Name of the entity	Place and date of incorporation and operation	Registered capital '000		Percentage of equity interest attributable to the Company	Principal activities
Shanxi Hualu Yangpoquan Coal Mining Co., Ltd. ("Yangpoquan Coal") (山西華鹿陽坡泉煤礦有限公司 (以下簡稱「陽坡泉煤礦」))	PRC 3 August 2001	RMB52,000	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	RMB1,800	Direct Indirect	— 36.56	Provision of overseas shipping services
Western Potash Corporation (西鉀公司)	Canada 5 April 2007	CAD\$140,944	Direct Indirect	— 19.90	Acquisition, evaluation, and exploration of mineral properties containing potash

During the current interim period, according to a notice from the Intermediate People's Court of Xinzhou City, Shanxi Province (the "Xinzhou Court"), all assets of Yangpoquan Coal, including mining rights, machineries and equipment, real estate, stock of raw coal and office supplies (the "Assets of Yangpoquan Coal") are to be foreclosed through auction in satisfaction of the defaulted and outstanding debts of Yangpoquan Coal in the amount of RMB302,678,000 owed to Hequ Branch of Industrial and Commercial Bank of China Limited. Due to the failure of the auction originally scheduled on 15 August 2014, a second round auction is scheduled to be held on 4 September 2014. According to the relevant laws and regulations in China, the base price of the auction will be set at an amount of not lower than 80% of the judicial appraised value recognised by the Xinzhou Court. Should the auction be completed at the base price, taking consideration together with the carrying amount of investment in Yangpoquan Coal, the relevant taxes and other costs to be incurred and the carrying amounts of liabilities of Yangpoquan Coal, the Group share of net assets of Yangpoquan Coal of fair value less cost of sales is RMB277,258,000. Accordingly, an impairment of RMB375,972,000 is recognised and presented as "share of losses/profits of associates".

10. 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 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Within six months	314,538	162,258
Over six months but within one year	11,659	2,311
Over one year but within two years	418	504
Over two years but within three years	982	916
	327,597	165,989

As at 30 June 2014, the amounts due from CNOOC, its subsidiaries, and associates, (other than the ultimate holding company collectively referred to as the “CNOOC group companies”) included in the above trade receivable balances are in aggregate RMB41,292,000 (31 December 2013: RMB14,763,000). The amounts due are unsecured, non-interest-bearing and repayable on similar credit terms to those offered to the major customers of the Group.

As at 30 June 2014, the Group has transferred bills receivable through endorsement to its suppliers to settle its payables amounted to RMB56,167,000 (31 December 2013: RMB41,824,000). The directors considered the issuing banks of the bills are of good credit quality and the risk of non-settlement by the issuing banks on maturity is insignificant. Hence, the Group has derecognised these bills receivable and payables to suppliers in its entirety, given the limited exposure in respect of the settlement obligation of these bills receivable.

All the bills receivables endorsed to suppliers of the Group have a maturity date of less than six months from the end of the reporting period.

11. 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 RMB0.14 per share in respect of the year ended 31 December 2013 (six months ended 30 June 2013: RMB0.15 per share in respect of the year ended 31 December 2012) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the interim period amounted to RMB645,400,000 (six months ended 30 June 2013: RMB691,500,000).

The board of directors of the Company did not recommend the payment of interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: nil).

12. 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 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Within six months	647,202	517,717
Over six months but within one year	40,014	12,538
Over one year but within two years	13,884	6,730
Over two years but within three years	80	80
Over three years	1,399	1,399
	<u>702,579</u>	<u>538,464</u>

As at 30 June 2014, the amounts due to CNOOC group companies included in the above trade payable and bills payable balances amounted to RMB162,631,000 (31 December 2013: RMB205,815,000).

(III) MANAGEMENT DISCUSSION AND ANALYSIS

1. Sector Review

Fertiliser Industry

In 2014, the PRC government plans to make further improvements to the national system for protection of food safety and strengthen the system for the support and protection of the agricultural sector with a view of establishing a long-term mechanism for a sustainable development in agriculture. In order to improve incentives to farmers to grow food crops and promote growth in food production, the PRC government continued to increase the minimum purchase prices of wheat and rice to RMB2.36 per kilogram and RMB2.70–RMB3.10 per kilogram, respectively, representing an increase of 5.4% and 2.2%–3.3%, respectively, over the relevant minimum purchase prices in 2013.

In the first half of 2014, growth in the national demand for chemical fertilisers in the agricultural sector remained steady. However, a continued oversupply of chemical fertilisers has intensified competition in the domestic chemical fertiliser market, resulting in a significant decline in profitability of the chemical fertiliser industry and an increase in the number of enterprises incurring loss.

On 15 February 2014, railway freight rates for chemical fertiliser transportation in the PRC were adjusted upward by RMB0.0154 to RMB0.113 per tonne-kilometre, representing an apparent increase in transportation costs of chemical fertilisers.

In 2014, export tariff rates for urea and ammonium phosphate during the peak season received a substantial cut from the PRC government. In particular, the peak-season export tariff rate for urea was reduced to 15% plus a margin of RMB40 per tonne, and the peak-season export tariff rate for MAP and DAP was reduced to 15% plus a margin of RMB50 per tonne. The low season period for exports of urea and ammonium phosphate remained unchanged. The low-season export tariff rates for urea and ammonium phosphate were adjusted to RMB40 per tonne and RMB50 per tonne, respectively. Due to the substantial decrease in peak-season export tariff rate, exports of urea and ammonium phosphate in the PRC increased significantly in the first half of 2014 as compared to the same period of last year, which remedied in part the oversupply in the chemical fertiliser market in the PRC.

(I) Urea

Domestic urea production volume in the first half of 2014 was approximately 35.57 million tonnes (in kind), representing a slight decrease as compared to the first half of 2013. Such decrease was mainly attributable to the continued low-level market prices of urea during the second quarter, resulting in decreasing utilisation rates in the urea industry. In the first half of 2014, the domestic export volume of urea was 4.17 million tonnes (in kind), representing a substantial increase as compared to the same period of last year.

In the first two months of 2014, domestic market price of urea fluctuated in a range between RMB1,750 to RMB1,800 per tonne. The price of urea in the domestic market continued to decrease since early March due to a drop in prices in the international market as well as a further drop in the domestic coal price. In mid to late May, the

ex-factory price of certain areas fell below RMB1,400 per tonne. Subsequently, the urea price experienced a slight rebound with the main domestic market price of urea fluctuating in a range between RMB1,450 to RMB1,500 per tonne until the end of June.

(II) Phosphate fertilisers

In the first half of 2014, domestic production volume of ammonium phosphate was approximately 12.40 million tonnes (in kind), which was slightly higher than that in the first half of 2013. Export volume of ammonium phosphate was 1.87 million tonnes (in kind), representing a substantial increase as compared to the same period of last year.

In the first four months of 2014, domestic price of ammonium phosphate increased steadily. Following the low season of the demand for ammonium phosphate in May, domestic price of ammonium phosphate decreased slightly. As at the end of June, domestic market price of DAP maintained at approximately RMB2,600 per tonne.

Chemical Industry

In the first half of 2014, the methanol market was under pressure from a slow-down in the growth of domestic economy, a sluggish growth in the demand for methanol from traditional downstream sectors, and a significant increase in the domestic supply of methanol. Mid-to-low end domestic POM markets remained dominated by an excess of supply over demand.

(1) Methanol

In the first half of 2014, domestic production volume of methanol was approximately 17.41 million tonnes, representing a significant increase of approximately 28% as compared to the same period of last year.

In the first half of 2014, the domestic production volume of methanol increased significantly. The market price of methanol experienced monthly adjustments from its record high since December 2013. As at the end of June, the major domestic market price of methanol remained at approximately RMB2,600 to RMB2,700 per tonne.

(2) POM

In the first half of 2014, domestic POM production volume reached approximately 107,000 tonnes, representing an increase of approximately 19% as compared to the first half of 2013 and the imported POM volume increased by 15% to 126,000 tonnes.

In the first half of 2014, an excess of supply remained over the demand in mid-to-low end domestic POM products. Mid-to-low end POM domestic market kept adjusting in a weak market. As at the end of June, the market price remained at approximately RMB8,600 per tonne.

2. Business Review

During the reporting period, the major plants of the Company achieved safe and stable operation. Utilisation rate of the methanol plants of the Company had an apparent improvement as compared to the same period of last year benefited from an ample natural gas supply and our refined production management. Due to process optimization and technique reform, combined utilisation rate of our two ammonium phosphate plants reached 100% for the first time with a significant improvement in the quality of the DAP and high-end compound fertilisers. Our two urea plants in Hainan had the same level of utilisation rates as the same period of last year, whereas CNOOC Tianye Urea Plant had a significantly lower utilisation rate due to the planned maintenance on its major production facilities. Our POM production volume experienced a significant increase as production line A of the Company's POM plant was in good operating conditions and production line C of the Company's POM plant resumed operation in April 2014 with qualified products.

During the reporting period, due to the weak price of urea in the global market as well as a significant over-supply in the domestic market, the price of urea in the PRC continued to experience a downward trend. Despite having touched bottom in the second half of last year, phosphate fertilisers experienced only a limited turnaround in their market prices. In response to a weak market, the Company made timely adjustments to its sales strategy by leveraging on its advantages in terms of geographical location, brand strength and export advantages, making great use of the export tariff policies and achieving an export of 293,000 tonnes of urea while managing to consolidate its domestic sales channels of DAP. Domestic sales of DAP enjoyed a steady increase and 35,000 tonnes of DAP were exported in the first half of the year. For chemical products, despite a prolonged price adjustment of methanol in the domestic market from a high level since the end of last year, well-established sales channels in the regional methanol markets and excellent quality of our products led to smooth sales of methanol products of the Company. Sales volume of our POM products was higher than that of last year as well.

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					
	2014			2013		
	Production (tonnes)	Sales volume (tonnes)	Utilisation rate (%)	Production (tonnes)	Sales volume (tonnes)	Utilisation rate (%)
Chemical fertilisers						
<i>Urea</i>						
Fudao Phase I	287,465	274,381	110.6	295,422	282,919	113.6
Fudao Phase II	426,602	427,261	106.7	421,414	374,271	105.4
CNOOC Tianye	259,656	224,229	99.9	297,804	300,290	114.5
Group total	<u>973,723</u>	<u>925,871</u>	<u>105.8</u>	<u>1,014,640</u>	<u>957,480</u>	<u>110.3</u>
<i>Phosphate fertilisers and compound fertilisers</i>						
DYK MAP	16,190	9,718	21.6	31,747	10,270	42.3
DYK DAP Phase I (Note)	150,163	153,355	85.8	155,190	124,194	88.7
DYK DAP Phase II	274,896	257,238	110.0	226,837	199,504	90.7
Group total	<u>441,249</u>	<u>420,311</u>	<u>88.2</u>	<u>413,774</u>	<u>333,968</u>	<u>82.8</u>
Chemical products						
<i>Methanol</i>						
Hainan Phase I	314,676	310,011	104.9	269,552	267,768	89.9
Hainan Phase II	395,073	384,375	98.8	382,508	379,363	95.6
CNOOC Tianye	103,906	80,726	103.9	103,489	91,958	103.5
Group total	<u>813,655</u>	<u>775,112</u>	<u>101.7</u>	<u>755,549</u>	<u>739,089</u>	<u>94.4</u>
<i>POM</i>						
CNOOC Tianye POM	13,529	8,800	45.1	5,998	7,873	20.0
Group total	<u>13,529</u>	<u>8,800</u>	<u>45.1</u>	<u>5,998</u>	<u>7,873</u>	<u>20.0</u>

Note: The DYK DAP Phase I Plant produced 116,212 tonnes of DAP and 33,951 tonnes of compound fertilisers, totaling to 150,163 tonnes, and sold 128,296 tonnes of DAP and 25,059 tonnes of compound fertilisers, totaling to 153,355 tonnes, respectively, in the first half of 2014. In the first half of 2013, the DYK DAP Phase I Plant produced 150,780 tonnes of DAP and 4,410 tonnes of compound fertilisers, respectively, totaling to 155,190 tonnes.

BB fertilisers

In the first half of 2014, the Group produced a total of 28,649 tonnes of BB fertilisers with a sales volume of 30,534 tonnes.

3. Financial Review

Revenue and gross profit

During the reporting period, the Group's revenue was RMB5,263.7 million, an increase of RMB41.7 million, or 0.8%, from RMB5,222.0 million in the same period of 2013.

During the reporting period, the Group's external revenue from urea was RMB1,620.3 million, a decrease of RMB297.3 million, or 15.5%, from RMB1,917.6 million in the same period of 2013. The decrease was primarily attributable to (1) a decrease in revenue by RMB233.9 million due to a drop in the selling price of urea by RMB252.7 per tonne; and (2) a decrease in the sales volume of urea by 31,609 tonnes, leading to a decrease in our revenue by RMB63.4 million.

During the reporting period, the Group's external revenue from phosphate fertilisers and compound fertilisers was RMB1,089.3 million, an increase of RMB59.8 million, or 5.8%, from RMB1,029.5 million in the same period of 2013. The increase was primarily attributable to (1) an increase in the sales volume of phosphate fertilisers by 61,284 tonnes, resulting in an uplift in revenue by RMB157.6 million; (2) an increase in the sales volume of compound fertilisers by 25,059 tonnes, resulting in an increase in revenue by RMB73.0 million; and (3) a decrease in revenue by RMB170.8 million caused by a drop in the price of phosphate fertilisers by RMB511.2 per tonne.

During the reporting period, the Group's external revenue from methanol was RMB1,814.7 million, an increase of RMB237.9 million, or 15.1%, from RMB1,576.8 million in the same period of 2013. The increase was primarily attributable to (1) an increase in revenue by RMB153.6 million caused by an uplift in the selling price of methanol by RMB207.8 per tonne; and (2) an increase in the sales volume of methanol by 36,023 tonnes, resulting in an increase in revenue by RMB84.3 million.

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) increased by RMB41.2 million, or 5.9%, to RMB739.4 million as compared to RMB698.2 million in the same period of 2013, which was primarily attributable to (1) an increase in revenue by RMB8.7 million caused by an uplift in the sales volume of POM by 927 tonnes and an increase in the selling price of POM by RMB230.5 per tonne; (2) an increase in revenue by RMB55.0 million in the trading segment; and (3) a decrease in revenue by RMB11.4 million in the port operations segment and the transportation segment.

The Group's gross profit for the reporting period amounted to RMB1,404.6 million, a decrease of RMB146.8 million, or 9.5%, from RMB1,551.4 million for the same period of 2013. The decrease was primarily attributable to (1) a drop in both sales volume and selling price of urea, together with an increase in the export tariffs of urea by RMB90.0 million, resulting in an decrease in the gross profit of urea by RMB344.0 million; (2) an increase in gross profit of methanol by RMB177.8 million owing to an increase in both sales volume and selling price of methanol; and (3) an increase in the gross profit for other business by RMB19.4 million.

Other income and gains

The Group's other gains for the reporting period amounted to RMB86.3 million, a decrease by RMB7.1 million, or 7.6%, from RMB93.4 million in the same period in 2013. The decrease was primarily attributable to (1) the fact that a net income of RMB38.4 million from the transfer of a portion of land by CNOOC Tianye in Inner Mongolia was recorded in the same period in 2013, while no such income was recorded in the first half of 2014; the decrease was partially offset by (2) an increase in gains from investments in entrusted asset management by RMB24.1 million; and (3) an increase in government subsidies by RMB6.3 million.

Selling and distribution costs

The Group's selling and distribution costs for the reporting period amounted to RMB193.9 million, an increase of RMB73.7 million, or 61.3%, from RMB120.2 million in the same period of 2013. The increase was primarily attributable to (1) an increase in the sales volume of phosphate and compound fertilizer, together with an increase in the freight rates, resulting in the uplift of transportation expenses by RMB28.5 million; (2) an increase in loading and unloading, and miscellaneous port expenses by RMB19.2 million caused by an increase in the export of urea; (3) an increase in the transportation expenses and railways maintenance fees of the CNOOC Tianye POM by RMB12.6 million; and (4) an increase in the selling expenses in the trading segment.

Administrative expenses

The Group's administrative expenses for the reporting period amounted to RMB198.6 million, an increase of RMB24.3 million, or 13.9%, from RMB174.3 million in the same period of 2013. The increase was primarily attributable to the actuarial gains on the severance benefit of CNOOC Tianye amounted to RMB21.5 million in the first half of 2013, resulting in an elimination of the management fees as required under the accounting standards, while no such elimination was recorded in the first half of 2014.

Other expenses

The Group's other expenses for the reporting period amounted to RMB3.6 million, a decrease of RMB33.7 million, or 90.3%, from RMB37.3 million in the same period of 2013. The decrease was principally due to the establishment of CBC (Canada) Holding Corp. ("CBC (Canada)") jointly by the Company and Benewood Holdings Corporation Limited in 2013 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, a loss of RMB31.9 million was recognized on such derivative financial instruments, while as at 30 June 2014, the Company's estimated gain was RMB3.6 million.

Finance income and finance costs

The Group's finance income for the reporting period decreased by RMB0.4 million, or 8.7%, to RMB4.2 million from RMB4.6 million in the same period of 2013.

The Group's finance costs for the reporting period amounted to RMB0.3 million, an increase by RMB0.3 million from RMBNil million in the same period of 2013. The increase was primarily attributable to an increase in borrowings for our working capital.

Exchange gains, net

During the reporting period, the Group recorded exchange gains of RMB4.2 million, an increase of RMB0.7 million, or 20%, compared with an exchange gain of RMB3.5 million in the same period of 2013, which was primarily attributable to (1) exchange gains of RMB6.7 million from the Group's export of urea settled in US dollars ("USD"); and (2) exchange losses of RMB2.5 million from our dividend payment.

Share of profits of associates and joint ventures

The Group's share of losses of associates and joint ventures for the reporting period amounted to RMB380.6 million, a decrease of RMB381.7 million from the share of profits of associates and joint ventures of RMB1.1 million in the same period of 2013. The decrease was principally attributable to (1) a notice from the Intermediate People's Court of Xinzhou City, Shanxi Province (the "Xinzhou Court"), according to which all assets of Shanxi Hualu Yangpoquan Coal Mining Co., Ltd. ("Yangpoquan Coal"), including mining rights, machineries and equipment, real estate, stock of raw coal and office supplies (the "Assets of Yangpoquan Coal") are to be put on auction in satisfaction of the defaulted and outstanding debts of Yangpoquan Coal owed to Hequ Branch of Industrial and Commercial Bank of China Limited. As a result of failure of the auction dated 15 August 2014, a notice was served by the Xinzhou Court on 20 August 2014 to conduct a second auction scheduled on 4 September 2014 in connection with the Assets of Yangpoquan Coal. Under relevant regulations of the PRC law, the base price of the second auction will not be less than 80% of the judicially appraised value of the Assets of Yangpoquan Coal recognised by the Xinzhou Court. In the event of a successful bid at the base price, the Company made an estimate of the recoverable amount of the Assets of Yangpoquan Coal as well as its share of the recoverable amount of the net assets of Yangpoquan Coal according to its shareholding, taking into account the carrying value of the Company's long-term equity investments, auction transaction taxes and the liabilities incurred by Yangpoquan Coal. An asset impairment loss of RMB376.0 million was recognised and presented as "share of (losses)/profits of associates" in the condensed consolidated statements of the Group; and (2) the share of loss attributable to the Group of RMB4.5 million, based on the loss incurred by Western Potash, a company held by CBC (Canada) as to 19.9%.

Income tax expense

The Group's income tax expense for the reporting period was RMB194.8 million, a decrease of RMB90.2 million, or 31.6%, from RMB285.0 million in the same period of 2013.

Net profit for the period

The Group's net profit for the reporting period was RMB527.5 million, a decrease by RMB509.8 million, or 49.1%, from RMB1,037.3 million in the same period of 2013.

The decrease in net profit was principally attributable to (1) a substantial decrease in the selling price of urea and phosphate fertilizer; (2) an increase in selling and distribution costs; and (3) a provision made by the Company for the impairment loss on the long-term equity investment in Yangpoquan Coal.

Dividends

The board of directors of the Company (the “Board”) did not recommend the payment of an interim dividend for the six months period ended 30 June 2014.

During the reporting period, the Company distributed the final dividend of RMB645.4 million in cash for 2013.

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 RMB315.5 million. Our capital expenditure primarily included: (1) RMB232.8 million for the Huahe 520,000 tonnes/year Urea Project; and (2) an investment of RMB82.7 million for upgrades and equipment purchases for our production plants.

Pledge of assets

As at 30 June 2014, 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 2014 (calculated as interest-bearing liabilities divided by the sum of total equity and interest bearing liabilities) was 5.34%.

Cash and cash equivalents

As at the beginning of the reporting period, the Group’s cash and cash equivalents were RMB2,934.0 million. For the reporting period, the net cash inflow from operating activities was RMB448.9 million, net cash outflow from investing activities was RMB352.0 million, net cash outflow from financing activities was RMB6.2 million, and the effect caused by the exchange movement on cash and cash equivalents was RMB0.4 million. As at 30 June 2014, the Group’s cash and cash equivalents were RMB3,025.1 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 2014, the Group had 6,044 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 incentives to its staff. The Company determines staff remuneration according to their positions, performance and capability.

During the reporting period, the Company held 6,836 training courses, with a total of 70,468 enrolments and 376,071 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 risks in commodity prices 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 USD. During the reporting period, the Renminbi to USD exchange rate ranged between 6.0930 and 6.1710. Fluctuation in the RMB to USD exchange rate 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 2.3% 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

The Company was served an arbitration notice by China International Economic and Trade Arbitration Commission as requested by Yangpoquan Coal. Yangpoquan Coal alleged that it is unable to maintain a normal operation due to its disputes with the Company in respect of the management of Yangpoquan Coal and other matters and claimed compensation for damages in an amount of RMB1.1 billion for its losses suffered as a result of the aforesaid matters. The legal counsel of the Company is of the opinion that it is unlikely that the Company shall incur significant liabilities in relation to the arbitration.

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

Material litigation and arbitration

As at 30 June 2014, the Company had no material litigation and arbitration.

4. Sector Outlook

Looking forward to the second half of 2014, despite the coming low season for domestic chemical fertilisers, the positive trend of chemical fertilisers in the international market as well as favourable policies for the export tariff of chemical fertilisers will boost exports of urea and ammonium phosphate of the PRC, thereby effectively alleviating the oversupplies of chemical fertilisers in the PRC. In the chemical industry, as the PRC's economy stabilizes with a sign of rebound, demands for methanol and POM will grow steadily. For the second half of the year, newly commissioned domestic methanol-to-olefin projects will further stimulate market demands for methanol.

5. Our Key Tasks in the second half of 2014

1. To continue to strengthen HSE and refined production management, and to achieve safe and stable operations for each production unit;
2. To closely track the changes in domestic and international markets of chemical fertilisers, increase export of urea and ammonium phosphate by leveraging on favourable export policies regarding urea and phosphate fertilisers, to be well-prepared for the domestic sales of chemical fertiliser in the autumn, and to actively explore the market for the application of compound fertilisers and POM with increased sales efforts;
3. To ensure the completion of annual production tasks and achievement of operation targets by tightening cost and expense control;
4. To strive for perfection in the mechanical completion and commissioning preparation works for the trial operation of the coal-based urea project located in Hegang, Heilongjiang, ensuring that the trial production can successfully commence in the fourth quarter of this year;
5. To endeavour to resolve as soon as possible the disputes with our joint venture partner of Yangpoquan Coal; and
6. To continue to look out for development opportunities in the PRC and overseas that fit the Company's 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 2014. The Group's unaudited interim results for the six months ended 30 June 2014 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 2014, the Company had complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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

The Board confirms that, having made specific enquiries with all directors and supervisors of the Company, during the six months ended 30 June 2014, 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

During the six months ended 30 June 2014, 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 2014 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, 28 August 2014

As at the date of this announcement, the executive Director is Mr. Yang Yexin, the non-executive Directors are Mr. Li Hui, Mr. Zhou Dechun and Mr. Zhu Lei and the independent non-executive Directors are Mr. Gu Zongqin, Ms. Lee Kit Ying and Mr. Lee Kwan Hung.

* For identification purpose only