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: 3983)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2010

FINANCIAL HIGHLIGHTS

1. Revenue amounted to RMB2,954.9 million

2. Gross profit amounted to RMB911.3 million

3. Net profit attributable to owners of the parent amounted to RMB533.3 million

4. Basic earnings per share was RMB0.12

(I) UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Interim consolidated income statement
For the six months ended 30 June 2010

		Six months ended 30 June	
		2010	2009
		Unaudited	Unaudited
	Notes	***RMB'000***	*RMB'000*
Revenue	4	**2,954,921**	2,828,139
Cost of sales		**(2,043,635)**	(1,968,564)
Gross profit		**911,286**	859,575
Other income and gains	4	**26,565**	50,331
Selling and distribution costs		**(54,659)**	(58,917)
Administrative expenses		**(163,855)**	(158,110)
Other expenses		**(7,313)**	(7,112)
Finance income		**5,547**	17,447
Finance costs		**(768)**	(14,593)
Exchange losses, net		**(220)**	(2,542)
Share of profits of associates		**28,449**	443
Profit before tax	5	**745,032**	686,522
Income tax expense	6	**(126,810)**	(103,414)
Profit for the period		**618,222**	583,108
Attributable to:			
Owners of the parent		**533,303**	527,022
Non-controlling interests		**84,919**	56,086
		618,222	583,108
Earnings per share attributable to ordinary owners of the parent			
— Basic *(RMB)*	7	**0.12**	0.11

Interim consolidated statement of comprehensive income
For the six months ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Profit for the period	**618,222**	583,108
Other comprehensive income for the period, net of tax	**78**	—
Total comprehensive income for the period, net of tax	**618,300**	583,108
Attributable to:		
Owners of the parent	**533,343**	527,022
Non-controlling interests	**84,957**	56,086
	618,300	583,108

Interim consolidated statement of financial position
As at 30 June 2010

	Notes	**30 June 2010 Unaudited *RMB'000***	31 December 2009 Audited *RMB'000*
Assets			
Non-current assets			
Property, plant and equipment		**7,905,545**	7,394,884
Mining rights		**430,730**	431,262
Prepaid land lease payments		**465,756**	471,513
Intangible assets		**13,406**	15,643
Investments in associates		**693,124**	664,675
Available-for-sale investments		**600**	600
Deferred tax assets		**60,504**	63,697
		9,569,665	9,042,274
Current assets			
Inventories		**925,419**	798,003
Trade receivables	8	**99,351**	109,249
Bills receivable		**49,950**	53,440
Prepayments, deposits and other receivables		**575,629**	511,911
Loans receivable		—	50,000
Available-for-sale investments		**15,078**	—
Pledged bank deposits		**10,372**	13,068
Time deposits		**72,000**	123,720
Cash and cash equivalents		**1,727,376**	1,944,674
		3,475,175	3,604,065
Total assets		**13,044,840**	12,646,339

Interim consolidated statement of financial position (continued)
As at 30 June 2010

	Notes	**30 June 2010 Unaudited** ***RMB'000***	31 December 2009 Audited *RMB'000*
Equity and liabilities			
Equity attributable to owners of the parent			
Issued capital		**4,610,000**	4,610,000
Reserves		**5,291,894**	4,753,411
Proposed dividends	9	**—**	322,700
		9,901,894	9,686,111
Non-controlling interests		**1,263,056**	1,258,099
Total equity		**11,164,950**	10,944,210
Non-current liabilities			
Benefits liability		**58,475**	61,484
Interest-bearing bank and other borrowings		**165,700**	1,000
Other long-term liabilities		**118,046**	110,316
Deferred tax liabilities		**76,882**	76,955
		419,103	249,755
Current liabilities			
Trade payables	10	**191,593**	148,385
Other payables and accruals		**1,253,372**	1,279,993
Income tax payable		**15,822**	23,996
		1,460,787	1,452,374
Total liabilities		**1,879,890**	1,702,129
Total equity and liabilities		**13,044,840**	12,646,339

(II) NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 Corporate information

China BlueChemical Ltd. (the "Company") was established in the People's Republic of China (the "PRC") on 3 July 2000 as a limited liability company under the name of CNOOC Chemical Limited (中海石油化學有限公司). The Company's 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, PRC.

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

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in the manufacture and sale of urea, phosphorus fertiliser and methanol.

In the opinion of the directors, the ultimate holding company of the Company is China National Offshore Oil Corporation ("CNOOC"), a state-owned enterprise established in the PRC.

As at 30 June 2010, particulars of the subsidiaries, associates, and a jointly-controlled entity are as follows:

Name	Place and date of establishment and operation	Registered capital *RMB'000*	Percentage of equity interest attributable to the Company		Principal activities
Subsidiaries:					
CNOOC Fudao Limited	PRC 31 December 2001	463,000	Direct Indirect	100.00 —	Manufacture and sale of fertiliser
CNOOC Kingboard Chemical Limited	PRC 31 October 2003	500,000	Direct Indirect	60.00 —	Manufacture and sale of methanol
Hainan CNOOC Plastic Company Limited	PRC 28 April 2002	12,716	Direct Indirect	100.00 —	Manufacture and sale of woven plastic bags
Hainan CNOOC Transportation Co., Ltd.	PRC 22 October 2001	6,250	Direct Indirect	— 67.26	Provision of transportation services
CNOOC (Hainan) E&P Gas Limited	PRC 8 November 2004	6,900	Direct Indirect	100.00 —	Manufacture and sale of liquid carbon dioxide
Hainan CNOOC Complex Fertiliser Co., Ltd.	PRC 19 May 2000	7,500	Direct Indirect	100.00 —	Manufacture and sale of compound fertiliser
CNOOC Jincheng Coal Chemical Industry Co., Ltd.	PRC 26 November 2007	800,000	Direct Indirect	75.00 —	Manufacture and sale of fertiliser
Hainan Basuo Port Limited	PRC 25 April 2005	514,034	Direct Indirect	73.11 —	Port operation
Shanghai Qionghua Trading Co., Ltd.	PRC 7 January 2002	27,000	Direct Indirect	— 90.93	Sale of fertiliser

Name	Place and date of establishment and operation	Registered capital *RMB'000*	Percentage of equity interest attributable to the Company		Principal activities
CNOOC Tianye Chemical Limited	PRC 18 December 2000	1,780,000	Direct Indirect	90.00 —	Manufacture and sale of fertiliser and methanol
Inner Mongolia Hong Feng Packaging Co., Ltd.	PRC 9 December 1999	3,297	Direct Indirect	— 63.54	Manufacture and sale of woven plastic bags
China BlueChemical Yichang Mining Ltd	PRC 7 August 2008	50,000	Direct Indirect	51.00 —	Phosphate mining, mineral processing and sales of phosphate ore
China BlueChemical Baotou Coal Chemical Industry Co., Ltd.	PRC 11 September 2008	100,000	Direct Indirect	100.00 —	Sale of fertilisers and chemical products
China Basuo Ocean Shipping Tally Co., Ltd.	PRC 9 May 2008	300	Direct Indirect	— 61.41	Provision of overseas shipping services
Hubei Dayukou Chemical Co., Ltd.	PRC 12 August 2005	1,050,624	Direct Indirect	83.97 —	Phosphate mining and processing, sale and production of MAP and DAP fertiliser
ShanXi Hualu Coal Chemical Co., Ltd.	PRC 29 November 2005	61,224	Direct Indirect	51.00 —	Preparatory work for methanol and dimethylether project
Associates:					
Guangxi Fudao Agricultural Means of Production Limited	PRC 11 January 2003	20,000	Direct Indirect	— 30.00	Trading of fertiliser
Shanxi Hualu Yangpoquan Coal Mining Co.,Ltd.	PRC 3 August 2001	52,000	Direct Indirect	49.00 —	Coal mining
China Basuo Oversea Shipping Agency Co., Ltd.	PRC 24 May 2000	1,800	Direct Indirect	— 36.56	Provision of overseas shipping services
A jointly-controlled entity:					
Guizhou Jinlin Chemical Co., Ltd.	PRC 12 April 2007	235,294	Direct Indirect	45.00 —	Manufacture and sale of phosphorus fertiliser

2 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2010 have been prepared in accordance with IAS 34.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2009.

2.1 *Basis of consolidation*

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the six-month period ended 30 June 2010. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated units until the date that such control ceases.

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

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

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

2.2 *Significant accounting policies*

The Group has adopted the following new and revised IFRSs for the first time in these unaudited interim condensed financial statements.

IFRS 1 (Revised)	*First-time Adoption of International Financial Reporting Standard*
IFRS 1 Amendments	Amendments to IFRS 1 — *Additional Exemptions for First-time Adopters*
IFRS 2 Amendments	Amendments to IFRS 2 — *Group Cash settled Share-based Payment Transactions*
IFRS 3 (Revised)	*Business Combinations*
IAS 27 (Revised)	*Consolidated and Separate Financial Statements*
IAS 39 Amendments	Amendment to IAS 39 — *Financial Instruments: Recognition and Measurement — Eligible Hedged Items*
IFRIC 17	*Distributions of Non-Cash Assets to Owners*
Amendments to IFRS 5 Included in Improvements To IFRSs issued in May 2008	Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operation — Plan to sell the Controlling Interest in a Subsidiary*
Improvements to IFRSs (issued in April 2009)*	Amendments to a number of IFRSs

* *Improvements to IFRSs 2009 contain amendments to IFRS2, IFRS5, IFRS8, IAS 1, IAS 7, IAS 17, IAS 36, IAS 38, IAS 39, IFRIC 9 and IFRIC 16.*

IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after 1 July 2009, Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results. IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) will affect future acquisition or loss of control of subsidiaries and transactions with non-controlling interests.

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

3 Operating segment information

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

(a) the urea segment is engaged in the manufacture and sale of urea;

(b) the phosphorus fertiliser segment is engaged in the manufacture and sale of mono-ammonium phosphate ("MAP") and di-ammonium phosphate ("DAP") fertiliser;

(c) the methanol segment is engaged in the manufacture and sale of methanol; and

(d) the "others" segment mainly comprises segments engaged in trading, port operation, the provision of transportation services and the manufacture and sale of woven plastic bags and BB fertiliser.

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

Management of the Company monitors the operating results of its business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured differently from operating profit or loss in the consolidated financial statements. However, the Group's financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Business segments

(Unaudited)	**Urea**	**Phosphorus fertiliser**	**Methanol**	**Others**	**Elimination**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2010						
Segment revenue:						
Sales to external customers	1,506,224	513,949	735,290	199,458	—	2,954,921
Inter-segment sales	14,972	—	12,139	69,126	[1](96,237)	—
Total	1,521,196	513,949	747,429	268,584	(96,237)	2,954,921
Segment results						
Segment profit before tax	509,144	63,995	189,010	25,680	[2](42,797)	745,032
As at 30 June 2010						
Segment assets	4,260,120	1,582,560	2,832,344	2,754,709	[3]1,615,107	13,044,840

1. Inter-segment revenues are eliminated on consolidation.

2. Profit for each operating segment does not include interest, dividend income and unallocated gains (RMB16,363,000), corporate and other unallocated expenses (RMB58,172,000), finance costs (RMB768,000), and net foreign exchange losses (RMB220,000).

3. Segment assets do not include interest receivables (RMB560,000), deferred tax assets (RMB60,504,000), available-for-sale financial assets (RMB15,678,000), cash and bank (RMB66,006,000), assets of centralised cost centre (RMB1,573,836,000), and inter-segment balances (RMB101,477,000).

(Unaudited)	Urea	Phosphorus fertiliser	Methanol	Others	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2009						
Segment revenue:						
Sales to external customers	1,628,865	521,894	531,096	146,284	—	2,828,139
Inter-segment sales	12,553	—	8,023	43,785	[1](64,361)	—
Total	1,641,418	521,894	539,119	190,069	(64,361)	2,828,139
Segment results						
Segment profit before tax	536,153	77,737	73,780	16,524	[2](17,672)	686,522
As at 31 December 2009						
Segment assets	4,894,103	1,603,012	2,320,422	2,514,684	[3]1,314,118	12,646,339

1. Inter-segment revenues are eliminated on consolidation.

2. Profit for each operating segment does not include interest, dividend income and unallocated gains (RMB63,165,000), corporate and other unallocated expenses (RMB63,702,000), finance costs (RMB14,593,000) and net exchange losses (RMB2,542,000).

3. Segment assets do not include interest receivables (RMB1,700,000), loan receivable (RMB50,000,000), deferred tax assets (RMB63,697,000), available-for-sale financial assets (RMB600,000), cash and bank (RMB54,334,000), assets of centralised cost centre (RMB1,198,665,000), and inter-segment balances (RMB54,878,000).

4 Revenue, other income and gains

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

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

	Six months ended 30 June	
	2010	2009
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**2,838,718**	2,731,470
Rendering of services	**116,203**	96,669
	2,954,921	2,828,139
Other income and gains		
Realized gain from disposal of available-for-sale investments	**17,543**	16,717
Interest from trusted loans	**326**	—
Income from the sale of water, utility and waste material	**6,282**	1,554
Gain on disposal of items of property, plant and equipment	**262**	3,029
Value added tax refund	**—**	28,629
Government grant	**381**	—
Others	**1,771**	402
	26,565	50,331

5 Profit before tax

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June	
	2010	2009
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Cost of inventories sold	**1,954,633**	1,889,024
Cost of services provided	**89,002**	79,540
Depreciation	**352,766**	356,903
Amortisation of intangible assets	**3,575**	2,701
Amortisation of prepaid land lease payments	**5,757**	5,185
Write-down of inventories to net realisable value	**—**	2,944
Net foreign exchange differences	**220**	2,542

6 Income tax expense

Major components of income tax expense for the six months ended 30 June 2010 and 2009 are as follows:

	Six months ended 30 June	
	2010	2009
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Current — PRC		
Charge for the year	**123,690**	115,474
Deferred	**3,120**	(12,060)
Total tax charge for the year	**126,810**	103,414

(a) Corporate income tax ("CIT")

Corporate income tax ("CIT") has been provided at the rate of 25% (2009: 25%) on the estimated assessable profits during the six months ended 30 June 2010.

Pursuant to the document Finance Taxes [2008] No. 21 issued by the Ministry of Finance and the State Administration of Taxation on 20 February 2008, the Company, its subsidiaries and its associates registered in Hainan Province or Pudong New Area, Shanghai, PRC, are entitled to preferential CIT rates of 18%, 20%, 22% and 24% for the years 2008, 2009, 2010 and 2011 respectively, and 25% from 2012.

The Company and its two subsidiaries, Hainan CNOOC Complex Fertiliser Co., Ltd. and Hainan CNOOC Plastic Company Limited are entitled to a preferential CIT rate of 22% during the six months ended 30 June 2010.

CNOOC Fudao Limited ("CNOOC Fudao"), the Company's subsidiary, is entitled to a preferential tax rate of 15% for the three years ending 31 December 2010 after being assessed as a high new technology entity.

CNOOC Tianye Chemical Limited ("CNOOC Tianye"), the Company's subsidiary, registered in Inner Mongolia, is entitled to a preferential tax rate of 15% for the three years ending 31 December 2011 after being assessed as a high new technology entity.

Hainan Basuo Port Limited, the Company's subsidiary, is entitled to an exemption from CIT for the five years ended 31 December 2009 and a 50% reduction in the applicable CIT rate for the five years ending 31 December 2014 as it is engaged in infrastructure development and operations.

CNOOC Kingboard Chemical Limited ("CNOOC Jiantao"), the Company's subsidiary, is a foreign investment enterprise and is entitled to an exemption from CIT for its first two profitable years and a 50% reduction in the applicable CIT rate for the subsequent three years. CNOOC Jiantao has elected to benefit from the tax holiday starting from the year ended 31 December 2007.

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

(b) Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the six months ended 30 June 2010.

7 Earnings per share attributable to ordinary owners of the parent

The calculation of basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent for the six months ended 30 June 2010 of approximately RMB533,303,000 (Six months ended 30 June 2009: RMB527,022,000) and the 4,610,000,000 ordinary shares in issue during the period (Six months ended 30 June 2009: 4,610,000,000).

Diluted earnings per share amounts for the six months ended 30 June 2010 and 2009 have not been calculated because no diluting events existed during those periods.

8 Trade receivables

Sales of the Group's fertilisers including urea, MAP and DAP are normally settled on an advance receipt basis whereby the customers are required to pay in advance either by cash or by bank acceptance drafts. In the case of export sales, the Group may also accept irrevocable letters of credit issued in its favour.

The trading terms of the Group with its methanol customers are mainly on credit. The credit period is generally one month.

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

	30 June 2010 Unaudited ***RMB'000***	31 December 2009 Audited *RMB'000*
Within six months	**96,016**	98,846
Over six months but within one year	**2,153**	9,282
Over one year but within two years	**1,058**	1,121
Over two years but within three years	**124**	—
	99,351	109,249

As at 30 June 2010, the amount due from CNOOC group companies included in the above trade receivable balances was RMB9,839,000 (31 December 2009: RMB5,566,000). The amount due from an associate included in the above trade receivable balances was RMB3,586,000 (31 December 2009: RMB490,000). The amounts due are unsecured, non-interest-bearing and repayable on similar credit terms to those offered to the major customers of the Group.

9 Dividends

Pursuant to the articles of association of the Company, the net profit after tax of the Company for the purpose of profit distribution is deemed to be the lesser of (i) the net profit determined in accordance with the PRC accounting principles and financial regulations; and (ii) the net profit determined in accordance with IFRSs.

As at 30 June 2010, the Company has paid a final 2009 dividend amounting to RMB322,700,000 (Six months ended 30 June 2009: RMB437,950,000).

The board of directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2010 (Six months ended 30 June 2009: Nil).

10 Trade payables

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

	30 June 2010 Unaudited *RMB'000*	31 December 2009 Audited *RMB'000*
Within six months	**184,775**	140,501
Over six months but within one year	**1,128**	42
Over one year but within two years	**295**	2,129
Over two years but within three years	**283**	4,915
Over three years	**5,112**	798
	191,593	148,385

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

As at 30 June 2010, the amounts due to CNOOC group companies included in the above trade payable balances were RMB66,270,000 (31 December 2009: RMB75,827,000).

(III) MANAGEMENT DISCUSSION AND ANALYSIS

1. Business Review

During the reporting period, the Company ensured the safe and stable operation of its major existing plants by strengthening the refined production management. The urea plant of Fudao Phase I completed a continuous operation cycle of 147 days after a major overhaul at the end of 2009. The urea plant of Fudao Phase II, the methanol plant of CNOOC Tianye and the methanol plant of CNOOC Jiantao fulfilled a continuous operation cycle in excess of 100 days, and the methanol plant of CNOOC Tianye achieved its second longest continuous operation record.

During the reporting period, the Company overcame the adverse market environment of rising raw material prices and natural disasters, which led to slowdown in market demand, by undertaking measures of long operating cycles of its production plants and lowering repairs and maintenance expenses of its equipments, in achieving the steady growth of its operating results. Although for the first half of the year, there is only one month of low season export window for urea, the Company managed to export 83,256 tonnes of urea.

Production and sales of the Group's various plants during the reporting period are set out in the following table:

	For the six-month period ended 30 June					
	2010			2009		
	Production volume *(tonnes)*	**Sales volume** *(tonnes)*	**Utilisation rate** *(%)*	Production volume *(tonnes)*	Sales volume *(tonnes)*	Utilisation rate *(%)*
Fertilisers						
Urea						
Fudao Phase I	**292,904**	**281,293**	**112.7**	294,315	291,001	113.2
Fudao Phase II	**443,414**	**394,773**	**110.9**	334,255	343,909	83.6
CNOOC Tianye	**266,879**	**233,963**	**102.6**	312,205	300,846	120.1
Group total	**1,003,197**	**910,029**	**109.0**	940,775	935,756	102.3
Phosphate Fertilisers						
DYK Chemical MAP	**35,326**	**22,357**	**47.1**	11,275	13,040	15.0
DYK Chemical DAP	**208,806**	**189,715**	**119.3**	203,367	174,290	116.2
Group total	**244,132**	**212,072**	**97.7**	214,642	187,330	85.9
Chemical Products						
Methanol						
CNOOC Jiantao	**310,536**	**320,441**	**103.5**	286,211	276,361	95.4
CNOOC Tianye	**86,618**	**81,556**	**86.6**	108,484	103,407	108.5
Group Total	**397,154**	**401,997**	**99.3**	394,695	379,768	98.7

2. Financial Review

Revenue and gross profit

During the reporting period, the Group's revenue was RMB2,954.9 million, an increase of RMB126.8 million or 4.5% from RMB2,828.1 million for the corresponding period of 2009. During the reporting period, the Group's gross profit was RMB911.3 million, an increase of RMB51.7 million or 6.0% from RMB859.6 million for the corresponding period of 2009.

During the reporting period, the Group's revenue from urea was RMB1,506.2 million, a decrease of RMB122.7 million or 7.5% from RMB1,628.9 million for the corresponding period of 2009, which was primarily attributable to: (1) the decrease in selling prices of urea by RMB85.6 per tonne contributing to an RMB80.1 million decrease in revenue; and (2) the decrease in sales volume of urea by 25,727 tonnes contributing to an RMB42.6 million decrease in revenue.

During the reporting period, the Group's revenue from phosphate fertilisers (the production and sale of MAP and DAP) was RMB513.9 million, a decrease of RMB8.0 million or 1.5% from RMB521.9 million for the corresponding period of 2009, which was primarily attributable to: (1) the decrease in revenue from the sale of ores by RMB53.4 million during the reporting period; (2) the decrease in selling prices of phosphate fertilisers by RMB77.7 per tonne during the reporting period, contributing to an RMB14.6 million decrease in revenue; and the above was partly offset by (3) the increase in sales volume of phosphate fertilisers by 24,742 tonnes contributing to an RMB60.0 million increase in revenue.

During the reporting period, the Group's revenue from the sale of methanol was RMB735.3 million, an increase of RMB204.2 million or 38.4% from RMB531.1 million for the corresponding period of 2009, which was primarily attributable to: (1) the increase in selling prices of methanol by RMB462 per tonne during the reporting period contributing to an RMB175.5 million increase in revenue; and (2) the increase in sales volume of methanol by 15,449 tonnes compared with the corresponding period of last year contributing to an RMB28.7 million increase in revenue.

During the reporting period, the revenue from the Group's other segments (mainly comprising trading, port operations, provision of transportation services and the manufacture and sales of woven plastic bags and BB fertilisers) increased by RMB53.3 million, which was primarily attributable to : (1) the increase in revenue from fertiliser trading by RMB34.4 million; and (2) the increase in the operating volume of the ports by 265,506 tonnes and rises in unit prices.

The Group's gross profit for the reporting period was RMB911.3 million, an increase of RMB51.7 million or 6.0% from RMB859.6 million for the corresponding period of 2009, which was primarily attributable to (1) the increase in selling prices of methanol during the reporting period contributing to an RMB115.9 million increase in gross profit; (2) the decrease in selling prices of phosphate fertilisers during the reporting period contributing to a decrease of RMB11.9 million in gross profit; (3) the decreases in selling prices and sales volumes of urea during the reporting period contributing to a decrease of RMB62.8 million in gross profit; and (4) the increase of RMB10.5 million in gross profit from other segments during the reporting period.

Other income and gains

The Group's other income and gains during the reporting period were RMB26.6 million, a decrease of RMB23.7 million or 47.1% from RMB50.3 million for the corresponding period of 2009, which was primarily attributable to: (1) a decrease of RMB28.6 million in VAT refunds during the reporting period; and partly offset by (2) an increase of RMB4.9 million in income from entrusted investments, and income from the sale of materials, water and utility during the reporting period.

Selling and distribution costs

The Group's selling and distribution costs during the reporting period were RMB54.7 million, a decrease of RMB4.2 million or 7.1% from RMB58.9 million for the corresponding period of 2009, which was primarily attributable to decreases in repair charges of transportation equipment and miscellaneous transportation charges at ports of direct export during the reporting period.

Administrative expenses

The Group's administrative expenses during the reporting period was RMB163.9 million, an increase of RMB5.8 million or 3.7% from RMB158.1 million for the corresponding period of 2009, which was primarily attributable to an increase in additional rental expenses of RMB4.6 million during the reporting period.

Other expenses

The Group's other expenses during the reporting period was RMB7.3 million, which was approximately consistent compared with RMB7.1 million in the corresponding period of 2009.

Finance income and finance costs

The Group's finance income during the reporting period was RMB5.5 million, a decrease of RMB11.9 million or 68.4% from RMB17.4 million for the corresponding period of 2009, and the Group's finance costs during the reporting period was RMB0.8 million, a decrease of RMB13.8 million or 94.5% from RMB14.6 million for the corresponding period of 2009. These were primarily attributable to the absence of, during the reporting period, (1) finance income from fixed performance deposits and finance costs on discount interest in respect of the purchase consideration of 83.17% interest in Hubei Dayukou Chemical Co., Ltd. ("DYK Chemical") and 100% interest in ZHJ Mining Co., Ltd. ("ZHJ Mining") during the corresponding period of 2009; and (2) finance costs for DYK Chemical and ZHJ Mining incurred during the corresponding period of 2009.

Exchange losses, net

The Group's exchange losses during the reporting period was RMB0.2 million, a decrease of RMB2.3 million or 92.0% from RMB2.5 million for the corresponding period of 2009, which was primarily attributable to the absence of exchange losses during the reporting period arising from the full repayment of the USD-denominated loan of CNOOC Jiantao during the corresponding period of 2009.

Share of profits of associates

The Group's share of profits of associates during the reporting period was RMB28.4 million, an increase of RMB28.0 million or 7,000%, from RMB0.4 million for the corresponding period of 2009, which was primarily attributable to investment income of RMB29.2 million from one of associates during the reporting period.

Income tax expense

The Group's income tax expense during the reporting period was RMB126.8 million, an increase of RMB23.4 million or 22.6% from RMB103.4 million for the corresponding period of 2009, which was primarily attributable to: (1) an increase of income tax expense of RMB 14.6 million due to the increase in tax rate applicable to the Group to 17% during the reporting period; and (2) an increase of corporate income tax expense of RMB8.8 million for the current period due to the increase in profit before tax during the reporting period.

Net profit for the period

During the reporting period, the Group's net profit was RMB618.2 million, an increase of RMB35.1 million or 6.0% from RMB583.1 million for the corresponding period of 2009, which was primarily attributable to the increase in selling prices of methanol, and partly offset by the decrease in selling prices of urea and phosphate fertilisers during the reporting period.

Dividends

The board of directors of the Company did not recommend the payment of an interim dividend for the six-month period ended 30 June 2010.

As at 30 June 2010, the Company has distributed final cash dividends of RMB322.7 million for 2009.

Capital expenditure

During the reporting period, the Group's capital expenditure in respect of property, plant and equipment and intangible assets amounted to RMB993.7 million, which as at 30 June 2010 primarily comprised: (1) RMB523.7 million for the Hainan Methanol Project; (2) RMB380.7 million for the Inner Mongolia POM Project; and (3) RMB89.3 million for plant upgrades and equipment purchases.

Pledge of assets

As at 30 June 2010, the Group does not have any pledge of 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 operation and maximise shareholder value. The Group manages its capital structure in light of changes in economic conditions and makes timely adjustments, where appropriate. We may raise new debt or issue new shares in order to maintain or realign our capital structure. The gearing ratio of the Group as at 30

June 2010 (interest-bearing liabilities divided by the sum of total capitalisation plus interest-bearing liabilities) was 1.5%, an increase of 1.49% from 0.01% as at 31 December 2009, which was primarily attributable to the increase in long-term borrowings during the reporting period.

Cash and cash equivalents

The Group's cash and cash equivalents at the beginning of the reporting period was RMB1,944.7 million. Net cash inflows from operating activities for the period was RMB743.6 million, net cash outflows from investing activities was RMB727.0 million, and net cash outflows from financing activities was RMB233.9 million. As at the reporting period of 30 June 2010, the Group's cash and cash equivalents was RMB1,727.4 million.

Human resources and training

As of 30 June 2010, the Group had about 5,788 employees. The Company adopts an effective remuneration package policy and a systematic welfare plan as well as an effective performance evaluation system to ensure that the remuneration policy of the Company effectively provides incentives to its staff. The Company determines staff remuneration according to their positions, capability and performance.

During the reporting period, in strict accordance with its annual training plans, the Company held 740 training courses with a total of 20,172 enrolments and 135,196 training hours.

Market risk

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

Commodity price risk

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

Interest rate risk

The major interest rate risk that the Group is exposed to includes the Group's long-term debt obligations which are subject to floating interest rates.

Foreign exchange risk

The Group's revenue was primarily denominated in Renminbi and secondarily in US dollar. During the reporting period, the Renminbi to US dollar exchange rate ranged from 6.7890 to 6.8284. The anticipation of appreciation of Renminbi against the US dollar may have dual impact. The Group's revenue from sales of products may have declined as a result of the depreciation of the US dollar against Renminbi, but the import prices of equipment and raw materials may also have been reduced.

As at 30 June 2010, the Group does not have any USD-denominated loan.

Inflation and currency risk

According to the data released by the National Bureau of Statistics of China, consumer price index of the PRC increased 2.6% during the reporting period. Such increase in consumer price in the PRC did not have a significant effect on the Group's operating results.

Post balance sheet events and contingent liabilities

On 16 July 2010, the Company entered into an equity transfer agreement with China National Chemical Engineering Group Corporation ("CNCEC") in respect of the transfer of the 80% equity interest in Hegang Huahe Coal Chemical Ltd. ("Huahe Chemical"), a subsidiary of CNCEC. The Company agreed to acquire the 80% equity interest in Huahe Chemical transferred by CNCEC at a consideration of RMB81.8 million. The equity transfer agreement is still subject to the approval or confirmation of SASAC (State-owned Assets Supervision and Administration Commission of the State Council).

Huahe Chemical, a company incorporated and legally subsisting in the PRC with limited liability, is primarily engaged in fertiliser production. At present, it has obtained approval to construct a urea project of 520,000 tonne per annum in Hegang City, Heilongjiang Province and also acquired a coal exploration right in Xinhua District, Hegang City, Heilongjiang Province.

On 11 July 2010, CNOOC Fudao, a wholly-owned subsidiary of the Company, entered into an agreement with Zhejinag AMP Incorporation ("Zhejiang AMP") in respect of the transfer of the 21% equity interest in Guangxi Fudao Agricultural Means of Production Limited ("Guangxi Fudao AMP") held by Zhejiang AMP. CNOOC Fudao agreed to acquire the 21% equity interest in Guangxi Fudao AMP at a consideration of (1) RMB7.0 million; and (2) plus or minus 21% of the audited profit or loss for the period of 1 January to 31 March 2010 of Guangxi Fudao AMP (the "Consideration Adjustment"). Prior to the transfer, the equity interests of Guangxi Fudao AMP were held as to 70% by Zhejiang AMP and as to 30% by CNOOC Fudao. Subsequent to the transfer, the equity interests of Guangxi Fudao AMP were held as to 51% by CNOOC Fudao which gained control over Guangxi Fudao AMP and as to 49% by Zhejiang AMP.

Guangxi Fudao AMP, a company incorporated and legally subsisting in the PRC with limited liability, is primarily engaged in the sale of fertilisers.

On 2 August 2010, the Company paid the principal amount (excluding the Consideration Adjustment) of RMB7.0 million in respect of the equity transfer of Guangxi Fudao AMP.

As at 30 June 2010, the Group had no material contingent liability.

Material litigation and arbitration

As at 30 June 2010, the Group was not involved in any material litigation and arbitration.

3. Sector Review and Outlook

Fertiliser sector

Guided by the principle of "sustained increase in volume and steady rise in proportions" in 2010, the PRC government continued to expand its commitments to the agricultural sector, rural villages and farmers, and proposed an aggregate injection of RMB818.3 billion to such three areas for the entire year, an increase of approximately 12.8% over 2009. In particular, subsidies to the agricultural sector is estimated to be RMB133.5 billion, increased by approximately 4.7% over 2009. At the same time, the minimum food purchase prices increased steadily by approximately 3.3%–10.5% over 2009. Sustained concerns over food safety and income levels of farmers by the PRC government, together with its powerful policy supports promoted the steady growth in demand for fertilisers by the agricultural industry.

Effective from 1 January 2010, the PRC government lowered low-season export tariffs of urea and phosphate fertilisers to 7% and extended the applicable period for low-season export tariff of urea by half-a-month, which will benefit domestic fertiliser enterprises with comprehensive competitive advantages in exports.

When the ex-factory benchmark price of domestic landed natural gas raised since 1 June 2010, most of the natural gas based domestic urea production enterprises ran into difficulties as a result of cost increases, but this also provided development opportunities for a few of those domestic urea production enterprises which have resources and cost advantages.

(1) Urea

In the first half of 2010, domestic urea production exceeded 31 million tonnes (in real terms), a slight decrease compared with the corresponding period of last year. Urea exports were approximately 1.539 million tonnes (in real terms), a substantial increase of approximately 122% compared with the corresponding period of last year.

Domestic urea prices fluctuated within normal range in early 2010. Affected by abnormal climate of cold weather in the north and serious droughts in the south of the PRC during the spring planting of 2010, demand for urea were hampered since the planting season was postponed and planting mixes were changed. Domestic urea prices dropped sharply since the late of March 2010 and remained at low level around RMB1,600 per tonne at the end of June.

(2) Phosphate fertilisers

During the reporting period, domestic MAP production amounted to approximately 3.81 million tonnes (in real terms), an increase of approximately 6% compared with the corresponding period of last year and domestic DAP production amounted to approximately 5.76 million tonnes (in real terms), an increase of approximately 19.7% compared with the corresponding period of last year.

Given the gradual depletion of high domestic inventory level in 2009 and the resumption of international demands for domestic exports during the first quarter of 2010, domestic ammonium phosphate prices rebounded from the end of 2009 and remained steady during February and March of 2010. Due to the abnormal weather since mid-April, demand for ammonium phosphate softened and prices declined slightly but resumed its upward trend as driven by exports in June.

Multiple effects of a number of factors, such as the incoming planting season in the Southern Hemisphere, the depletion of international grain inventory and the increase in grain price caused by the global adverse climate during the year, are expected to drive demand for fertilisers in the international market during the second half of 2010. In the second half of the year, despite the entering into the low season for domestic fertilisers, positive impact could still be seen in the domestic fertiliser market through the extended low-season export window for urea and phosphate fertilisers, as well as the State's policy of low-season fertiliser reserve. Increases in production costs of fertiliser producers may provide support to the floor prices of domestic fertilisers.

Methanol sector

As the PRC economy sustained its steady growth during the first half of 2010, demand for methanol from traditional domestic downstream industries and as an alternate source of energy also rose steadily. Methanol's domestic apparent consumption quantity exceeded 10 million tonnes in the first half of 2010, an increase of approximately 28% compared with the corresponding period in 2009.

In the first half of 2010, domestic methanol production exceeded 8 million tonnes, a growth of approximately 62% compared with the corresponding period in 2009. Methanol imports were approximately 2.36 million tonnes, a decrease of approximately 31% compared with the corresponding period in 2009.

Due to the strong demand of methanol as an alternative energy source in the PRC in the first quarter of 2010, domestic market prices of methanol was within the range of RMB2,600 to RMB2,800 per tonne. However, methanol prices started to fall in the second quarter due to the realignment of the DME sector. At the end of June, domestic methanol prices hovered around RMB2,000 to 2,200 per tonne.

When the ex-factory benchmark price of domestic landed natural gas raised on 1 June 2010, most of the natural gas based domestic methanol producers succumbed to pressures of higher costs by reducing or halting production, and thus, it is expected that natural gas based domestic production volume of methanol will decline in the second half of the year. At the same time, this also provided development opportunities for a few of those domestic methanol production enterprises which have resources and cost advantages.

The PRC government will continue to implement positive fiscal policies and appropriate flexible monetary policies in the second half of 2010 in sustaining reasonable economic growth which may also fuse the growth in demand for methanol as the key basic raw material for chemical industry. Current steady growth in domestic demand for methanol as an alternative source of energy will fuel its long-term development. It is expected that relevant departments of local governments in the PRC are in the process of formulating relevant standards for liquefied petroleum gas blending with DME, which is expected to be launched lately and will not only facilitate the healthy development of the DME sector, but will also in turn promote the recovery of DME demands for methanol.

Outlook

Looking ahead, PRC economy will sustain its reasonable growth, but there still exists uncertainties over the macroeconomic environment. The Company will closely monitor the status of the macroeconomic environment and will respond actively, and the Company will focus on the following agenda in the second half of the year:

1. Ensure safe and stable operation of production plants and achieve annual production targets;

2. Enhance fertiliser sales through effective deployment of extended low season export window during the second half of the year;

3. Commit fully to warrant that the Hainan Methanol Project and the Inner Mongolia POM Project will carry out their productions as scheduled and to produce qualified products;

4. Further improve energy-saving, emission-reduction and environmental protection; and

5. Continue to identify domestic and foreign mergers and acquisition opportunities in line with our strategic development goals.

(IV) SUPPLEMENTAL INFORMATION

Audit Committee

The Audit Committee has reviewed the accounting principles and standards adopted by the Group, and has discussed and reviewed the internal control and financial reporting matters with the management, including the review of the interim results for the six months ended 30 June 2010. The interim results for the six months ended 30 June 2010 have not been audited but have been independently reviewed by Ernst & Young, the Company's external auditor, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. Neither the Audit Committee nor Ernst & Young, the independent auditor, has any disagreement over the accounting treatments adopted in preparing the interim results for the reporting period.

Compliance with the Code on Corporate Governance Practices

The Company continues to maintain high standards of corporate governance so as to ensure better transparency and protection of shareholders' interest in general. The Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited for the six months ended 30 June 2010.

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

The Board confirms that, having made specific enquiries with all directors and supervisors, during the six months ended 30 June 2010, all members of the Board and all supervisors have complied with the required standards of the Model Code for Securities Transactions by Directors of Listed Issuer as set out in Appendix 10 of the Listing Rules.

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

During the six months ended 30 June 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

Disclosure on the Website of the Stock Exchange

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

By order of the Board
China BlueChemical Ltd.*
WU Mengfei
Chairman

Hong Kong, PRC, 29 August 2010

As at the date of this announcement, the executive directors of China BlueChemical Ltd. are Mr. YANG Yexin, Mr. FANG Yong and Mr. CHEN Kai; the non-executive director is Mr. WU Mengfei; the independent non-executive directors are Mr. ZHANG Xinzhi, Mr. TSUI Yiu Wa, Alec, and Mr. GU Zongqin.

***** *for identification purpose only*