中海石油化學股份有限公司
China BlueChemical Ltd.

2015 / 中期報告
Interim Report

股票代碼 / HKSE CODE 3983

Contents

Financial Highlights

Selected data of interim condensed consolidated statement of profit or loss

For the six months ended 30 June 2015
(All amounts expressed in thousands of Renminbi, except for per share data)

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
Revenue	**4,745,343**	5,263,729
Cost of sales	**(3,818,599)**	(3,859,154)
Gross profit	**926,744**	1,404,575
Other income and gains	**151,305**	86,263
Selling and distribution costs	**(188,158)**	(193,896)
Administrative expenses	**(186,333)**	(198,609)
Other expenses	**(2,313)**	(3,581)
Finance income	**4,811**	4,248
Finance costs	**(14,834)**	(286)
Exchange gains, net	**8,069**	4,235
Share of (losses) profits of joint ventures	**(97)**	(150)
Share of (losses) profits of associates	**(2,399)**	(380,443)
Profit before tax	**696,795**	722,356
Income tax expenses	**(156,004)**	(194,818)
Profit for the period	**540,791**	527,538
Profit for the period attributable to:		
Owners of the parent	**504,984**	447,528
Non-controlling interests	**35,807**	80,010
	540,791	527,538
Earnings per share attributable to ordinary owners of the parent		
—Basic for the period (RMB)	**0.11**	0.10

Selected data of interim condensed consolidated statement of financial position

As at 30 June 2015
(All amounts expressed in thousands of Renminbi)

	30 June 2015	31 December 2014
	(Unaudited)	(Audited)
Assets		
Non-current assets	**12,223,654**	12,285,747
Current assets	**7,833,198**	7,653,561
Total assets	**20,056,852**	19,939,308
Equity and liabilities		
Total equity	**14,586,958**	14,749,286
Non-current liabilities	**2,082,287**	2,296,400
Current liabilities	**3,387,607**	2,893,622
Total equity and liabilities	**20,056,852**	19,939,308

Operational Highlights

Production volume and utilisation rates of the Group's various plants

		For the six months ended 30 June					
		Production volume (tonnes)			Utilisation Rate (%)		
		2015	2014	Change %	2015	2014	Change
Fertilisers							
Urea	Fudao Phase I	**272,030**	287,465	(5.4)	**104.6**	110.6	(6.0)
	Fudao Phase II	**358,338**	426,602	(16.0)	**89.6**	106.7	(17.1)
	CNOOC Tianye	**305,903**	259,656	17.8	**117.7**	99.9	17.8
	Group total	**936,271**	973,723	(3.8)	**101.8**	105.8	(4.0)
Phosphate Fertilisers and Compound Fertilisers	DYK MAP	**32,498**	16,190	100.7	**43.3**	21.6	21.7
	DYK DAP Phase I (Note)	**151,399**	150,163	0.8	**86.5**	85.8	0.7
	DYK DAP Phase II	**289,931**	274,896	5.5	**116.0**	110.0	6.0
	Group total	**473,828**	441,249	7.4	**94.8**	88.2	6.6
Chemical Products							
Methanol	Hainan Phase I	**309,913**	314,676	(1.5)	**103.3**	104.9	(1.6)
	Hainan Phase II	**359,430**	395,073	(9.0)	**89.9**	98.8	(8.9)
	CNOOC Tianye	**98,455**	103,906	(5.2)	**98.5**	103.9	(5.4)
	Group total	**767,798**	813,655	(5.6)	**96.0**	101.7	(5.7)
POM	CNOOC Tianye POM	**4,019**	13,529	(70.3)	**13.4**	45.1	(31.7)
	Group total	**4,019**	13,529	(70.3)	**13.4**	45.1	(31.7)

Sales volume of the Group's various plants

Unit: tonne

		For the six months ended 30 June		
		2015	2014	Change %
Fertilisers				
Urea	Fudao Phase I	**257,480**	274,381	(6.2)
	Fudao Phase II	**319,053**	427,261	(25.3)
	CNOOC Tianye	**319,500**	224,229	42.5
	Group total	**896,033**	925,871	(3.2)
Phosphate Fertilisers and Compound Fertilisers	DYK MAP	**28,831**	9,718	196.7
	DYK DAP Phase I (Note)	**109,707**	153,355	(28.5)
	DYK DAP Phase II	**295,012**	257,238	14.7
	Group total	**433,550**	420,311	3.1
Chemical Products				
Methanol	Hainan Phase I	**310,989**	310,011	0.3
	Hainan Phase II	**341,291**	384,375	(11.2)
	CNOOC Tianye	**94,218**	80,726	16.7
	Group total	**746,498**	775,112	(3.7)
POM	CNOOC Tianye POM	**5,804**	8,800	(34.0)
	Group total	**5,804**	8,800	(34.0)

Note: The DYK DAP Phase I Plant produced 125,326 tonnes of DAP and 26,073 tonnes of compound fertilisers, totaling at 151,399 tonnes, and sold 95,318 tonnes of DAP and 14,389 tonnes of compound fertilisers, totaling at 109,707 tonnes, respectively, in the first half of 2015. In the first half of 2014, the DYK DAP Phase I Plant produced 116,212 tonnes of DAP and 33,951 tonnes of compound fertilisers, totaling at 150,163 tonnes, and sold 128,296 tonnes of DAP and 25,059 tonnes of compound fertilisers, totaling at 153,355 tonnes, respectively.

CEO's Report

Dear shareholders,

In the first half of 2015, your Company had overcome the adverse effects brought by overhauls of our major production plants and the low international energy prices, and achieved better operating results than our domestic peers, with our revenue amounted to RMB4,745.3 million and our net profit attributable to owners of the parent amounted to RMB505.0 million.

Review of the interim period

During the reporting period, our CNOOC Tianye Urea Plant and Hainan Phase I Methanol Plant achieved stable operation. Our urea plants of Fudao Phase I and Fudao Phase II and our methanol plants of Hainan Phase II and CNOOC Tianye conducted overhauls and ran stable following the major overhauls. Utilisation rate of our ammonium phosphate plants continued to increase, reaching a historical high for the production volume of our phosphate fertilisers and compound fertilisers.

As for our sales, by leveraging on our advantages in terms of geographical location, brand recognition and export logistics, coupled with favourable export tariff policies for fertilisers, the Company exported 324,000 tonnes of urea and 150,000 tonnes of DAP, respectively, in the first half of the year, representing a significant increase compared to the same period of last year. The Company attained a balance between the production and sales of methanol by closely monitoring market trends and increasing its sale efforts to leverage on the opportunity of methanol price rebound since February.

Our coal-based urea project located in Hegang, Heilongjiang Province successfully started trial operation in April 2015 and commenced commercial operation on 1 July 2015. Thus, our total capacity for urea has increased to 2.36 million tonnes per year.

Outlook for the second half of 2015

Looking forward to the second half of the year, the marketization of fertiliser industry and favourable export tariff policies are expected to alleviate the oversupply in the domestic fertiliser market. Growth in demand for methanol will be driven by the new methanol-to-olefin production capacity additions in China.

In the second half of the year, we will continue to strengthen our HSE and refined production management in order to achieve safe and stable operations for each production plant; to increase export of urea and ammonium phosphate by leveraging on favourable export policies regarding urea and phosphate fertilisers; to strictly control costs and expenditures and achieve our full-year profit target; to advance the implementation of upgrade of Fudao Phase I Urea Plant as scheduled, in order to guarantee the long-term stable production of Fudao Phase I Urea Plant; and to continue to carry on feasibility research on the production of high-end chemical products with natural gas in Hainan.

Wang Hui

CEO & President

Management Discussion and Analysis

Sector Review

Fertiliser industry

In 2015, the PRC government continued to consolidate the position of agriculture as the foundation of the economy and promote the continuous increase in rural incomes in accordance with the guiding principle of "supplying grains stably, increasing income, enhancing quality and efficiency and striving for innovation". While providing larger subsidies to agriculture, the PRC government also gradually refines its agricultural subsidy policy, improves the means of providing such subsidies and enhances the efficiency of such policies. Meanwhile, in order to ensure the security of national food supply and improve the incentives to farmers to grow grains, the PRC government continued to implement floor prices for wheat and grain rice, which have remained unchanged from 2014.

In the first half of 2015, further market-oriented reforms of domestic chemical fertilisers industry has been carried out by the PRC government: preferential railway transportation price for chemical fertilisers was abolished from 1 February 2015; on 19 April 2015, the PRC government announced that preferential electricity price for chemical fertilisers industry would be gradually abolished and the same electricity price would apply to chemical fertiliser production as other industrial and commercial businesses in the same power usage category, with all preferential electricity price abolished with effect from 20 April 2016. Meanwhile, the PRC government continued to push forward natural gas market reforms, as the prices for legacy gas and incremental gas were unified on 1 April 2015, with prices of the gas used for chemical fertilisers rising by no more than RMB0.2 per cubic metre. The aforementioned reforms will gradually lead the chemical fertilisers industry in the PRC towards a sizable and environmental-friendly development.

In 2015, the PRC government abolished the gap between high- and low-season tariff rates for urea and phosphate fertiliser exports. A unified tariff rate has been imposed throughout the year, with the rate for urea being RMB80 per tonne and the rate for ammonium phosphate being RMB100 per tonne. It will thus be favourable to domestic fertiliser production enterprises with advantages in export. Benefiting from the favourable export policies for urea and ammonium phosphate, the export volumes for urea and ammonium phosphate in the PRC significantly increased in the first half of 2015, alleviating the oversupply in the domestic chemical fertiliser market.

(I) Urea

Domestic urea production volume in the first half of 2015 was approximately 36.3 million tonnes (in kind), representing a slight increase by approximately 2% as compared to the first half of 2014. The export volume of urea was 6.74 million tonnes (in kind), representing a significant increase of approximately 62% as compared to the same period of last year.

In the first four months of 2015, domestic market price of urea fluctuated in a narrow range between RMB1,600 and RMB1,700 per tonne. The domestic market price of urea began to rise in May, driven by the kick-off of high season for domestic chemical fertilisers use and strong international demands. By the end of June, domestic market price of urea fluctuated in the range of RMB1,750 to RMB1,800 per tonne.

(II) Phosphate fertilisers

In the first half of 2015, domestic production volume of ammonium phosphate was approximately 14.48 million tonnes (in kind), an increase by approximately 17% as compared to the first half of 2014. Export volume of ammonium phosphate was 4.22 million tonnes (in kind), representing a significant increase of 126% as compared to the same period of last year.

In the first half of 2015, international market prices for ammonium phosphate remained stable. Domestic market price of DAP fluctuated in a narrow price range between RMB3,000 and RMB3,100 per tonne.

Methanol

National economic growth slowed down in the first half of 2015. Downstream demands from traditional sectors for methanol grew slowly, with methanol-to-olefin driving the growth of methanol demands in the country.

In the first half of 2015, domestic production volume of methanol was approximately 19.2 million tonnes, representing an increase of approximately 10% as compared to the same period of the last year, while net import volume increased significantly to 2.47 million tonnes, representing an increase of 110% compared to the same period of the last year.

Affected by the plunging international crude oil prices in the second half of 2014, the domestic market price for methanol dropped significantly since mid-December 2014. Up to mid-January 2015, it dropped to RMB1,900 per tonne. In February, methanol prices began to rebound in the domestic market as international energy prices bottomed up and the demands for methanol increased driven by commencement of production of new domestic methanol-to-olefin projects. In late May, methanol prices rose to RMB2,600 per tonne in major domestic markets, and then dropped slightly to around RMB2,450 per tonne in late June.

Business Review

During the reporting period, major overhauls conducted in our urea plants of Fudao Phase I and Phase II and the methanol plants of Hainan Phase II and CNOOC Tianye, leading to a fall in the Company's production volume of urea and methanol as compared to the same period last year. Utilisation rate of our ammonium phosphate plants continued to increase, with our production volume of phosphate fertilisers and compound fertilisers breaking its historical records. Due to prolonged depression of POM prices caused by severe oversupply of mid-to-low end POM products in the PRC, operations in the POM plants in CNOOC Tianye have been closed. Our coal-based urea project located in Hegang, Heilongjiang Province succeeded in its trial operation in April 2015, produced qualified products in May 2015, and commenced commercial operation on 1 July 2015.

Benefiting from favourable export policies for chemical fertilisers, the oversupply in the domestic chemical fertiliser market was alleviated during the reporting period. Leveraging on its advantages in geographical locations, brand recognition and exports, the Company strengthened its export business while stabilizing its domestic sales channels, exporting 324,000 tonnes of urea and 150,000 tonnes of DAP, respectively, in the first half of the year, representing a significant increase compared to the same period of last year.

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					
	2015			2014		
	Production Volume *(tonnes)*	Sales volume *(tonnes)*	Utilisation rate *(%)*	Production Volume *(tonnes)*	Sales volume *(tonnes)*	Utilisation rate *(%)*
Chemical fertilisers						
Urea						
Fudao Phase I	**272,030**	**257,480**	**104.6**	287,465	274,381	110.6
Fudao Phase II	**358,338**	**319,053**	**89.6**	426,602	427,261	106.7
CNOOC Tianye	**305,903**	**319,500**	**117.7**	259,656	224,229	99.9
Group total	**936,271**	**896,033**	**101.8**	973,723	925,871	105.8
Phosphate fertilisers and Compound fertilisers						
DYK MAP	**32,498**	**28,831**	**43.3**	16,190	9,718	21.6
DYK DAP Phase I (Note)	**151,399**	**109,707**	**86.5**	150,163	153,355	85.8
DYK DAP Phase II	**289,931**	**295,012**	**116.0**	274,896	257,238	110.0
Group total	**473,828**	**433,550**	**94.8**	441,249	420,311	88.2
Chemical products						
Methanol						
Hainan Phase I	**309,913**	**310,989**	**103.3**	314,676	310,011	104.9
Hainan Phase II	**359,430**	**341,291**	**89.9**	395,073	384,375	98.8
CNOOC Tianye	**98,455**	**94,218**	**98.5**	103,906	80,726	103.9
Group total	**767,798**	**746,498**	**96.0**	813,655	775,112	101.7
POM						
CNOOC Tianye POM	**4,019**	**5,804**	**13.4**	13,529	8,800	45.1
Group total	**4,019**	**5,804**	**13.4**	13,529	8,800	45.1

Note: The DYK DAP Phase I Plant produced 125,326 tonnes of DAP and 26,073 tonnes of compound fertilisers, totaling at 151,399 tonnes, and sold 95,318 tonnes of DAP and 14,389 tonnes of compound fertilisers, totaling at 109,707 tonnes, respectively, in the first half of 2015. In the first half of 2014, the DYK DAP Phase I Plant produced 116,212 tonnes of DAP and 33,951 tonnes of compound fertilisers, totaling at 150,163 tonnes, and sold 128,296 tonnes of DAP and 25,059 tonnes of compound fertilisers, totaling at 153,355 tonnes, respectively.

BB fertilisers

In the first half of 2015, the Group produced a total of 21,242 tonnes of BB fertilisers with a sales volume of 23,684 tonnes.

Financial Review

Revenue and gross profit

During the reporting period, the Group's revenue was RMB4,745.3 million, a decrease of RMB518.4 million, or 9.8%, from RMB5,263.7 million in the same period of 2014.

During the reporting period, the Group's external revenue from urea was RMB1,545.3 million, a decrease of RMB75.0 million, or 4.6%, from RMB1,620.3 million in the same period of 2014. The decrease was primarily attributable to (1) a decrease in the sales volume of urea by 29,838 tonnes, leading to a decrease in our revenue by RMB52.2 million; and (2) a decrease in revenue by RMB22.8 million due to a drop in the selling price of urea by RMB25.5 per tonne.

During the reporting period, the Group's external revenue from phosphate fertilisers and compound fertilisers was RMB1,217.8 million, an increase of RMB128.5 million, or 11.8%, from RMB1,089.3 million in the same period of 2014. The increase was primarily attributable to (1) an increase in the sales volume of phosphate fertilisers and compound fertilisers by 13,239 tonnes, resulting in an increase in revenue by RMB37.2 million; and (2) an increase in revenue by RMB91.3 million caused by a rise in the price of phosphate fertilisers and compound fertilisers by RMB217.3 per tonne.

During the reporting period, the Group's external revenue from methanol was RMB1,364.5 million, a decrease of RMB450.2 million, or 24.8%, from RMB1,814.7 million in the same period of 2014. The decrease was primarily attributable to (1) a decrease in the sales volume of methanol by 28,614 tonnes, resulting in a decrease in revenue by RMB67.0 million; and(2) a decrease in revenue by RMB383.2 million caused by a drop in the selling price of methanol by RMB513.4 per tonne.

During the reporting period, the Group's external revenue from other segments (primarily comprising manufacture and sales of BB fertilisers, POM and woven plastic bags, trading in fertilisers and chemicals, port operations and provision of transportation services) decreased by RMB121.7 million, or 16.5%, to RMB617.7 million as compared to RMB739.4 million in the same period of 2014, which was primarily attributable to (1) a decrease in revenue by RMB25.8 million caused by a drop in the sales volume of POM by 2,996 tonnes and a decrease in the selling price of POM by RMB577.4 per tonne; and (2) a decrease in revenue by RMB89.0 million in the trading segment.

The Group's gross profit for the reporting period amounted to RMB926.7 million, a decrease of RMB477.9 million, or 34.0%, from RMB1,404.6 million for the same period of 2014. The decrease was primarily attributable to (1) a decrease in the gross profit of methanol by RMB550.3 million mainly due to a drop in both sales volume and selling price of methanol, together with the major overhaul of our methanol plants; (2) a decrease in sales volume of urea causing a decrease in gross profit of urea by RMB22.5 million; partially offset by (3) an increase in the gross profit of phosphate fertilisers and compound fertilisers by RMB91.4 million caused by an uplift in both sales volume and selling price coupled with a drop in unit production cost of phosphate fertilisers and compound fertilisers.

Other income and gains

The Group's other gains for the reporting period amounted to RMB151.3 million, an increase by RMB65.0 million, or 75.3%, from RMB86.3 million in the same period of 2014. The increase was primarily attributable to (1) an increase in gains from investments in entrusted asset management by RMB75.1 million, partially offset by (2) a decrease in government subsidies by RMB6.4 million.

Selling and distribution costs

The Group's selling and distribution costs for the reporting period amounted to RMB188.2 million, a decrease of RMB5.7 million, or 2.9%, from RMB193.9 million in the same period of 2014.

Administrative expenses

The Group's administrative expenses for the reporting period amounted to RMB186.3 million, a decrease of RMB12.3 million, or 6.2%, from RMB198.6 million in the same period of 2014. The decrease was primarily attributable to (1) the impairment losses provided in 2014 for our POM plants and Hualu Coal Mining leading to a decrease in the depreciation, amortization and taxation on land by RMB5.6 million; and (2) a decrease in expenses on retired personnel by RMB3.1 million.

Other expenses

The Group's other expenses for the reporting period amounted to RMB2.3 million, a decrease of RMB1.3 million, or 36.1%, from RMB3.6 million in the same period of 2014. The decrease was principally due to a decrease in handling fees charged by financial institutions by RMB1.7 million.

Finance income and finance costs

The Group's finance income for the reporting period increased by RMB0.6 million, or 14.3%, to RMB4.8 million from RMB4.2 million in the same period of 2014.

The Group's finance costs for the reporting period amounted to RMB14.8 million, an increase by RMB14.5 million from RMB0.3 million in the same period of 2014. The increase was primarily attributable to our new financial leases and liquidity loans.

Exchange gains, net

During the reporting period, the Group recorded exchange gains of RMB8.0 million, an increase of RMB3.8 million, or 90.5%, compared with an exchange gain of RMB4.2 million in the same period of 2014, which was primarily attributable to (1) exchange gains of RMB5.1 million from the Group's export of urea and DAP settled in US dollars ("USD"); and (2) exchange losses of RMB2.9 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 RMB2.5 million, a decrease of RMB378.1 million, or 99.3%, from the share of losses of associates and joint ventures of RMB380.6 million in the same period of 2014. The decrease was principally attributable to (1) a notice in 2014 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 no impairment losses were recorded for the reporting period.

Income tax expense

The Group's income tax expense for the reporting period was RMB156.0 million, a decrease of RMB38.8 million, or 19.9%, from RMB194.8 million in the same period of 2014. The decrease was principally due to a decrease in EIT expenses by RMB30.8 million following a clarification in the preferential tax policies resulting in an EIT tax rate of 15% applicable to Fudao Phase I in the first half of 2015, as compared to the EIT tax rate of 25% applicable in the first half of 2014.

Net profit for the period

The Group's net profit for the reporting period was RMB540.8 million, an increase by RMB13.3 million, or 2.5%, from RMB527.5 million in the same period of 2014.

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 2015.

During the reporting period, the Company distributed the final and special dividends totaling RMB553.2 million in cash for 2014.

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 RMB389.2 million. Our capital expenditure primarily included: (1) RMB356.0 million for the Huahe 520,000 tonnes per year Urea Project; and (2) an investment of RMB33.2 million for upgrades and equipment purchases for our production plants.

Pledge of assets

As at 30 June 2015, 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 in light of changing 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 2015 (calculated as interest-bearing liabilities divided by the sum of total equity and interest bearing liabilities) was 16.7%.

Cash and cash equivalents

As at the beginning of the reporting period, the Group's cash and cash equivalents were RMB5,525.9 million. For the reporting period, the net cash inflow from operating activities was RMB571.8 million, net cash outflow from investing activities was RMB183.3 million, net cash outflow from financing activities was RMB437.3 million, and the effect caused by the exchange movement on cash and cash equivalents was a decrease of RMB2.8 million. As at 30 June 2015, the Group's cash and cash equivalents were RMB5,474.3 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 2015, the Group had 6,566 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 6,943 training courses, with a total of 70,030 enrolments and 210,823 training hours according to its annual training plan.

During the reporting period, the Company held 95 safety training courses of various types, with a total of 2,818 enrolments and 53,801 training hours, covering topics such as safety awareness, regulatory information, standard operation procedures for various positions, the HSE system, emergency management, traffic safety and occupational hygiene knowledge.

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, coal, phosphate ore, synthetic ammonia and sulphur), fuels (mainly natural gas and 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 6.1079 and 6.1617. 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 1.4% during the reporting period, which did not have a significant effect on the Group's operating results for the period.

Subsequent events and contingent liabilities

On 4 July 2015, Beijing Tairui Innovation Capital Management Ltd. ("Tairui") entered into an agreement with Western Potash Corp. ("Western Potash"), pursuant to which Tairui will subscribe for the new shares issued by Western Potash in an amount of 80,000,000 Canadian dollars. After the acquisition, Tairui will hold a 51% ownership stake in Western Potash.

On 23 July 2015, CBC (Canada) Holding Corp. ("CBC (Canada)"), a subsidiary of the Company, decided to exercise its pre-emptive right after the acquisition of 51% shares in Western Potash Corp. by Tairui was approved at the extraordinary general meeting of Western Potash Corp.. After the transaction, CBC (Canada) will hold a 10.1% ownership stake in Western Potash.

The transactions above were approved at the extraordinary general meeting of Western Potash Corp. held on 24 August 2015.

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

Material litigation and arbitration

As at 30 June 2015, the Company had no material litigation and arbitration.

Sector Outlook

Looking forward into the second half of 2015, as the chemical fertiliser use will enter into low season in China, the trend of domestic market prices for urea and the trend of international urea market prices will be highly relevant to each other. Affected by the demand-supply balance of ammonium phosphate in the global market, its domestic market prices is expected to continue fluctuating in a narrow range. The resumption of levying value-added tax on chemical fertilisers by the PRC government from 1 September 2015 will bring a profound impact on the market-oriented reforms for the domestic chemical fertiliser industry.

As for the methanol industry, although downstream demands for methanol from traditional sectors are affected by the economic slowdown at home and abroad, growth in demand for methanol will be driven by the increase of China's production capacity of methanol-to-olefin in the second half of 2015.

Our Key Tasks in the second half of 2015

1. To continue to strengthen HSE and refined production management, and to achieve safe and stable operations for each production unit; and to closely track the market conditions of domestic and international markets of chemical fertilisers and the chemical industry for the purposes of matching production against sales;
2. To ensure the completion of annual production tasks and achievement of operation targets by tightening cost and expense control;
3. To proceed with the implementation of upgrades of Fudao Phase I Urea Plant as scheduled, making sure that Fudao Phase I Urea Plant will be able to maintain stable production with the natural gas produced by Dongfang 1-1 gas field phase I adjustment project after the stable supply period of natural gas from Yacheng 13-1 gas field ends in 2016;
4. To further improve the feasibility report of Xinhua coal mine which is supplementary to the coal-based urea project in Heilongjiang Huahe;
5. To continue to research on the feasibility of producing high-end chemical products with natural gas in Hainan to complement the development of offshore gas fields in the southern Hainan;
6. To make active efforts in expanding the fertiliser trading business;
7. To strive to resolve the dispute with the joint venture partner of the Yangpoquan Coal; and
8. To continue to look for development opportunities in China and overseas that fit the Company's development strategy.

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 2015. The Group's unaudited interim results for the six months ended 30 June 2015 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 2015, 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").

Disclosures on Directors' Information

Changes of Directors

In compliance with the requirements set out in Rule 13.51B(1) of the Listing Rules, changes of the information of the directors are as follows:

At the general meeting held on 28 May 2015, Mr. Gu Zongqin did not offer himself for re-election as an independent non-executive director of the Company due to other work commitments. Mr. Zhou Hongjun was appointed as an independent non-executive director of the Company and was appointed at the meeting of the Board held on the next day as a member of the Audit Committee of the Board, a member of the Nomination Committee of the Board and a Chairman of the Investment Review Committee of the Board.

On 17 February 2015, Mr. Lee Kwan Hung was appointed as the independent director of Red Star Macalline Group Corporation Ltd., a company listed on the Main Board of Hong Kong Stock Exchange on 26 June 2015 (stock code: 01528).

Changes of Directors' remuneration

In accordance with the relevant laws and regulations applicable to Mr. Zhou Hongjun and according to his own will, he will not receive director's emoluments during his term of office as an independent non-executive director of the Company (save and except for other allowances).

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

In respect of the transactions of securities by our Directors and Supervisors, the Company has adopted a set of standard code on terms no less exacting than the required standards of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. The Board confirms that having made specific enquiries with all directors and supervisors of the Company, during the six months ended 30 June 2015, all members of the Board and all Supervisors have complied with the required standards as set out in the Model Code.

Interests of substantial shareholders

As at 30 June 2015, to the best knowledge of any of the Directors and chief executives of the Company, pursuant to the register required to be kept under Section 336 of the SFO, the interests and short positions in any shares and underlying shares of the Company of substantial shareholders and other persons (excluding Directors, Supervisors and chief executives of the Company are set out as below:

Names of substantial shareholders	Capacity	Number of Shares held (shares)	Class of shares	Approximate percentage of the relevant class of shares in issue (%)	Approximate percentage of total shares in issue (%)
China National Offshore Oil Corporation (Note 1)	Beneficial owner	**2,738,999,512 (L)**	**Domestic Shares**	**97.33 (L)**	**59.41 (L)**
Commonwealth Bank of Australia	Interests in controlled corporation	**230,256,000 (L) (Note 2)**	**H Shares**	**13.00 (L)**	**4.99 (L)**
Edgbaston Investment Partners Limited	Investment manager	**111,190,000 (L)**	**H Shares**	**6.28 (L)**	**2.41 (L)**
Hermes Investment Management Ltd	Investment manager	**106,506,000 (L)**	**H Shares**	**6.01 (L)**	**2.31 (L)**
Mondrian Investment Partners Limited	Investment manager	**106,304,000 (L)**	**H Shares**	**6.00 (L)**	**2.31 (L)**

Notes: The letter (L) denotes long position.

(1) Mr. Li Hui, the Chairman and Non-executive Director of the Company, is also the deputy general manager of China National Offshore Oil Corporation.

(2) These Shares are held directly by a number of controlled corporations of Commonwealth Bank of Australia, which are Colonial Holding Company Ltd, Commonwealth Insurance Holding Ltd, Colonial First State Group Ltd, Colonial First State Asset Management (Australia) Limited, First State Investment Managers (Asia) Ltd, First State Investments (UK Holdings) Ltd, First State Investments (Hong Kong) Lt, SI Holdings Limited,First State Investment Management (UK) Limited, Capital 121 Pty Limited, Colonial First State Investments Limited, First State Investments (Bermuda) Limited, First State Investments Holdings (Singapore) Limited and First State Investments (Singapore).

Save as disclosed above, to the best knowledge of any of the Directors and chief executives of the Company, as at 30 June 2015, no person (other than a Director, Supervisor and chief executive of the Company or their respective associates) had any interests and short positions in the shares and underlying shares (as the case may be) of the Company which were required to be entered into the register kept pursuant to Section 336 of the SFO.

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

During the six months ended 30 June 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

Interests and short positions of directors, supervisors and chief executive in shares

As at 30 June 2015, none of the Directors, Supervisors, chief executives or their associates had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange of Hong Kong Limited (the Stock Exchange) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed to have or taken to have under such provisions of the SFO), or which were required to be entered in the register pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in the Listing Rules.

Report on Review of Interim Condensed Consolidated Financial Statements

Deloitte.
德勤

To the Board of Directors of China Bluechemical Ltd.

Introduction

We have reviewed the condensed consolidated financial statements of China BlueChemical Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 14 to 40, which comprise the condensed consolidated statement of financial position as of 30 June 2015 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting"("IAS 34"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review 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. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong
26 August 2015

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2015

	Notes	Six months ended 30 June 2015 (Unaudited) RMB'000	Six months ended 30 June 2014 (Unaudited) RMB'000
Revenue	4	**4,745,343**	5,263,729
Cost of sales		**(3,818,599)**	(3,859,154)
Gross profit		**926,744**	1,404,575
Other income and gains	4	**151,305**	86,263
Selling and distribution costs		**(188,158)**	(193,896)
Administrative expenses		**(186,333)**	(198,609)
Other expenses		**(2,313)**	(3,581)
Finance income		**4,811**	4,248
Finance costs		**(14,834)**	(286)
Exchange gains, net		**8,069**	4,235
Share of losses of joint ventures		**(97)**	(150)
Share of losses of associates		**(2,399)**	(380,443)
Profit before tax		**696,795**	722,356
Income tax expenses	5	**(156,004)**	(194,818)
Profit for the period	6	**540,791**	527,538
Profit for the period attributable to:			
Owners of the parent		**504,984**	447,528
Non-controlling interests		**35,807**	80,010
		540,791	527,538
Earnings per share attributable to ordinary owners of the parent			
- Basic for the period (RMB)	7	**0.11**	0.10

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2015

	Six months ended	
	30 June 2015 (Unaudited) RMB'000	30 June 2014 (Unaudited) RMB'000
Profit for the period	**540,791**	527,538
Other comprehensive income that may be reclassified subsequently to profit or loss		
Fair value gains on unlisted investments during the period	**135,355**	60,264
Less: Reclassification adjustment upon maturity of unlisted investments	**(135,355)**	(60,264)
Exchange differences arising on translation	**(13,293)**	2,871
Total comprehensive income for the period	**527,498**	530,409
Total comprehensive income for the period attributable to:		
Owners of the parent	**491,691**	450,399
Non-controlling interests	**35,807**	80,010
	527,498	530,409

Interim Condensed Consolidated Statement of Financial Position

At 30 June 2015

	Notes	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Assets			
Non-Current Assets			
Property, plant and equipment	8	9,912,426	9,908,502
Prepayments for property, plant and equipment		23,424	65,192
Mining and exploration rights		473,292	474,410
Prepaid lease payments	9	591,540	569,533
Intangible assets		14,280	16,236
Investments in joint ventures		212,961	213,058
Investments in associates	10	325,151	337,798
Available-for-sale investments		600	600
Deferred tax assets		657,334	688,418
Other long-term prepayment		12,646	12,000
		12,223,654	12,285,747
Current assets			
Inventories		1,369,113	1,227,525
Trade receivables	11	177,477	141,493
Bills receivable	11	63,842	66,271
Prepayments, deposits and other receivables	12	707,866	686,635
Pledged bank deposits		5,200	5,709
Time deposits with original maturity over three months		35,447	-
Cash and cash equivalents	13	5,474,253	5,525,928
		7,833,198	7,653,561
Total assets		20,056,852	19,939,308

Interim Condensed Consolidated Statement of Financial Position - continued

At 30 June 2015

	Notes	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Equity and liabilities			
Capital and reserves			
Issued capital	14	4,610,000	4,610,000
Reserves		8,928,042	8,436,351
Proposed dividends	15	-	553,200
Equity attributable to owners of the parent		13,538,042	13,599,551
Non-controlling interests		1,048,916	1,149,735
Total equity		14,586,958	14,749,286
Non-current liabilities			
Benefits liability		22,573	25,898
Interest-bearing bank and other borrowings	16	1,771,000	1,951,000
Deferred tax liabilities		56,902	58,866
Deferred revenue		114,924	144,077
Other long-term liabilities		116,888	116,559
		2,082,287	2,296,400
Current liabilities			
Interest-bearing bank and other borrowings	16	712,850	139,256
Trade payables	17	445,886	430,170
Bills payable	17	20,127	27,833
Other payables and accruals	18	1,550,822	1,569,405
Obligations under finance lease	19	439,021	565,992
Obligation arising from a put option to a non-controlling shareholder	20	83,602	87,398
Derivative financial instruments	20	47,942	50,072
Income tax payable		87,357	23,496
		3,387,607	2,893,622
Total liabilities		5,469,894	5,190,022
Total equity and liabilities		20,056,852	19,939,308
Net current assets		4,445,591	4,759,939
Total assets less current liabilities		16,669,245	17,045,686
Net assets		14,586,958	14,749,286

Wang Hui
Director

Lee Kit Ying
Director

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

	Attributable to owners of the parent			
	Issued capital RMB'000	Capital reserve RMB'000 (Note i)	Statutory surplus reserve RMB'000 (Note ii)	Special reserve RMB'000 (Note iii)
Balance at 1 January 2015	**4,610,000**	**1,007,237**	**940,287**	**29,384**
Profit for the year	-	-	-	-
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	-	-
Appropriation of safety fund	-	-	-	**19,827**
Utilisation of safety fund	-	-	-	**(8,684)**
Final 2014 dividends declared	-	-	-	-
Dividends paid to non-controlling interests	-	-	-	-
Balance at 30 June 2015 (unaudited)	**4,610,000**	**1,007,237**	**940,287**	**40,527**
Balance at 1 January 2014	4,610,000	1,007,237	878,806	30,832
Profit for the year	-	-	-	-
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	-	-
Appropriation of safety fund	-	-	-	20,045
Utilisation of safety fund	-	-	-	(7,731)
Final 2013 dividends declared	-	-	-	-
Dividends paid to non-controlling interests	-	-	-	-
Balance at 30 June 2014 (unaudited)	4,610,000	1,007,237	878,806	43,146

Note:

i. The capital reserve mainly comprises of (i) share premium arising from the issuance of H shares; and (ii)contribution and distribution from/to ultimate holding company.

ii. Statutory surplus reserve represents statutory reserve fund. In accordance with relevant PRC rules and regulations, the Group's PRC subsidiaries are required to transfer an amount of their profit after income tax to the statutory reserve fund at financial year end, until the accumulated total of the fund reaches 50% of their registered capital. The appropriation to the statutory reserve fund is determined by the articles of association of the Company's subsidiaries and approval by the boards of directors of the subsidiaries.

iii. Special reserve represents safety fund. The Group's PRC subsidiaries are required to appropriate an amount of safety fund, in accordance with relevant PRC rules and regulations. Safety fund is used to improve, renovate and maintain safety facilities and equipment and update the safety supplies for the operation personnel, etc.

Retained profits RMB'000	Proposed dividends RMB'000	Translation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
6,482,756	**553,200**	**(23,313)**	**13,599,551**	**1,149,735**	**14,749,286**
504,984	**-**	**-**	**504,984**	**35,807**	**540,791**
-	**-**	**(13,293)**	**(13,293)**	**-**	**(13,293)**
504,984	**-**	**(13,293)**	**491,691**	**35,807**	**527,498**
(19,827)	**-**	**-**	**-**	**-**	**-**
8,684	**-**	**-**	**-**	**-**	**-**
-	**(553,200)**	**-**	**(553,200)**	**-**	**(553,200)**
-	**-**	**-**	**-**	**(136,626)**	**(136,626)**
6,976,597	**-**	**(36,606)**	**13,538,042**	**1,048,916**	**14,586,958**
6,990,696	645,400	(6,968)	14,156,003	1,345,228	15,501,231
447,528	-	-	447,528	80,010	527,538
-	-	2,871	2,871	-	2,871
447,528	-	2,871	450,399	80,010	530,409
(20,045)	-	-	-	-	-
7,731	-	-	-	-	-
-	(645,400)	-	(645,400)	-	(645,400)
-	-	-	-	(187,172)	(187,172)
7,425,910	-	(4,097)	13,961,002	1,238,066	15,199,068

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Six months ended	
	30 June 2015 (Unaudited) RMB'000	30 June 2014 (Unaudited) RMB'000
Net cash from operating activities	**571,784**	448,897
Net cash used in investing activities:		
Purchases of property, plant and equipment	**(288,684)**	(459,750)
Addition to mining rights	-	(444)
Disposal of prepaid land lease payments	-	13,031
Tax payment on disposal of prepaid land lease payments	-	(18,000)
(Increase)/decrease in time deposit	**(35,447)**	42,944
Decrease in pledged bank deposit	**509**	5,634
Purchase of available-for-sale investment	**(6,057,000)**	(5,048,930)
Disposal of available-for-sale investment	**6,192,355**	5,109,194
Interest received	**4,811**	4,248
Other investing cash flows	**136**	45
	(183,320)	(352,028)
Net cash used in financing activities:		
Dividends paid	**(553,200)**	(645,400)
Dividends paid to non-controlling interests	**(136,626)**	(187,172)
Repayment of obligations under finance lease	**(131,397)**	-
New bank and other borrowings raised	**1,568,306**	826,535
Repayment of bank borrowings	**(1,174,712)**	-
Interest paid	**(9,691)**	(178)
	(437,320)	(6,215)
Net (decrease)/increase in cash and cash equivalents	**(48,856)**	90,654
Cash and cash equivalents at 1 January	**5,525,928**	2,933,970
Effect of foreign exchange rate changes	**(2,819)**	469
Cash and cash equivalents at 30 June, represented by bank balances and cash	**5,474,253**	3,025,093

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

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 andpolyoxymethylene("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 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, the following 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 IAS 19	Defined Benefit Plans: Employee Contributions
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle

Notes to the Interim Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2015

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. 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 instruments, share of losses 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.

Notes to the Interim Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2015

3. Operating segment information - continued

	Urea	Phosphorus and compound fertiliser	Methanol	Others	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended 30 June 2015 (Unaudited)						
Segment revenue:						
Sales to external customers	1,545,317	1,217,822	1,364,490	617,714	-	4,745,343
Inter-segment sales	-	-	-	93,673	(93,673)	-
Total	1,545,317	1,217,822	1,364,490	711,387	(93,673)	4,745,343
Segment results:						
Segment profit before tax	424,372	92,431	73,082	10,623	-	600,508
Interest and unallocated income						145,575
Corporate and other unallocated expenses						(60,787)
Exchange gains, net						8,069
Change in fair value of derivative financial instrument						5,926
Share of losses of joint ventures						(97)
Share of losses of associates						(2,399)
Profit before tax						696,795
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	447,418	7,320	622,239	1,055	-	1,078,032
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						(380,443)
Profit before tax						722,356

Notes to the Interim Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2015

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 2015 (Unaudited) RMB'000	30 June 2014 (Unaudited) RMB'000
Revenue		
Sale of goods	**4,535,908**	5,073,027
Rendering of services	**209,435**	190,702
	4,745,343	5,263,729
Other income and gains		
Gain on maturity of available-for-sales financial assets	**135,355**	60,264
Gain on disposal of items of property, plant and equipment	**-**	38
Income from sale of other materials	**4,260**	9,850
Income from rendering of other services	**3,270**	4,380
Gross rental income	**659**	1,141
Government grants	**3,623**	10,020
Others	**4,138**	570
	151,305	86,263

Notes to the Interim Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2015

5. Income tax expenses

	Six months ended	
	30 June 2015 (Unaudited) RMB'000	30 June 2014 (Unaudited) RMB'000
Current tax in the PRC	**126,884**	308,567
Deferred tax	**29,120**	(113,749)
	156,004	194,818

(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 andHubei Dayukou Chemical Co., Ltd., subsidiaries of the Company, are entitled to preferential EIT rate of 15% for the three years ending 31 December 2016 after being assessed as a high-tech enterprise.

(b) Hong Kong profits tax

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

(c) Corporate income tax in Canada

No provision for Canadian income tax has been made as the Group has no assessable profits arising in Canada.

Notes to the Interim Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2015

6. Profit for the period

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

	Six months ended	
	30 June 2015 (Unaudited) RMB'000	30 June 2014 (Unaudited) RMB'000
Cost of inventories sold	**3,675,606**	3,686,565
Cost of services provided	**142,993**	152,065
Depreciation of property, plant and equipment	**388,633**	413,425
Amortisation of mining rights	**1,118**	1,111
Amortisation of prepaid lease payments	**7,683**	8,084
Amortisation of intangible assets	**2,543**	5,726
Changes in fair value of derivative financial instruments	**(2,130)**	(8,526)
Change in fair value of obligation arising from a put option to a non-controlling shareholder	**(3,796)**	4,869
Write-back of bad debts recovered	**-**	(8)
Write-down of inventories to net realisable value, included in cost of sales	**-**	20,524

7. Earnings per share

	Six months ended	
	30 June 2015 (Unaudited) RMB'000	30 June 2014 (Unaudited) RMB'000
Profit for the period attributable to owners of the parent	**504,984**	447,528

	Six months ended	
	30 June 2015 '000	30 June 2014 '000
Number of ordinary shares	**4,610,000**	4,610,000

The Group had no potential dilutive ordinary shares in issue during the six months ended 30 June 2014 and the six months ended 30 June 2015.

Notes to the Interim Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2015

8. Property, plant and equipment

During the six months ended 30 June 2015, the Group acquired property, plant and equipment including construction in progress with an aggregate cost amounting to approximately RMB432,753,000(six months ended 30 June 2014: RMB330,596,000). Property, plant and equipment with carrying amount of approximately to RMB40,196,000(six months ended 30 June 2014: RMB52,000) were disposed of during the six months ended 30 June 2015.

9. Prepaid lease payments

During the six months ended 30 June 2015, the Group acquired RMB30,208,000 land use rights(six months ended 30 June 2014: Nil).There is no disposal of land use right during the six months ended 30 June 2015 and 2014.

In June 2014, pursuant to <Notification to Seize the State Owned Construction Land Use Right> (the "Notification") issued by the local land bureau, CNOOC Hualu was requested to deregister without compensation the land use right certificate of its idle land on or before 25 July 2014, or else the local land bureau will invalidate that land use right certificate. An appeal was made subsequently by CNOOC Hualu to the local government and the local government affirmed the decision set out in the Notification. CNOOC Hualu appealed further to court. As of the date of issuance of the interim financial statements, the local land bureau has not invalidated the land use right certificate and the court has not awarded any judgement.

Management is of the view, judging from the progress of the incident, that the land use right will probably be seized without compensation in the near future. Therefore, management assessed the recoverable amounts of the land use right and related construction in progress on the land (included in property, plant and equipment), of which net carrying amounts amounted to RMB99,804,000 in total, as of 31 December 2014, to be Nil, and full impairment was made accordingly in profit and loss for the year then ended.

As of the date of issuance of the interim financial statements, directors are of the view that there is no evidence the payables for acquisition of the land use right under the Notification amounting to RMB26,339,000 (31 December 2014: RMB26,339,000), presented under "Other long term liabilities" and "Other payables and accruals", are no longer payable.

Notes to the Interim Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2015

10. Investment in associates

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Cost of investment in associates	**797,467**	807,715
Share of post-acquisition profits and other comprehensive income, net of dividends received, including impairment of Shanxi Hualu Yangpoquan Coal Mining Co., Ltd. (note)	**(472,316)**	(469,917)
	325,151	337,798

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

The Group's other receivables with its associates are disclosed in note 12.

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** **-**	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	**-** **19.9**	Acquisition, evaluation, and exploration of mineral properties containing potash

During the year ended 31 December 2014, 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 ("the Debts") of Yangpoquan Coal in the amount of RMB302,678,000 owed to Hequ Branch of Industrial and Commercial Bank of China Limited ("ICBC"). Due to the failure of the auction, the management took consideration the carrying amount of investment in Yangpoquan Coal, together with the relevant taxes and other costs to be incurred and the carrying amounts of liabilities of Yangpoquan Coal, the fair value less cost of disposal of Yangpoquan Coal was estimated to be RMB373,652,000 and the Group's share amounted to RMB183,090,000. Accordingly, an impairment of RMB470,140,000 was recognised and presented as "share of losses of associates" for the year ended 31 December 2014.

As approved by Xinzhou Court in April 2015, Shanxi Branch of China Cinda Asset Management Co., Ltd. ("Cinda") bought the Debts from ICBC and becomes the applicant for the said auction in place of ICBC. As of the date of issuance of the interim financial statements, Cinda has not initiated any proceeding to exercise its rights assumed from ICBC. The directors are of the view that no further impairment indication presents and no further impairment charge is required for the current period.

Notes to the Interim Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2015

11. 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 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Within six months	**238,784**	199,637
Over six months but within one year	**1,627**	3,727
Over one year but within two years	**-**	3,476
Over two years but within three years	**908**	924
	241,319	207,764

As at 30 June 2015, the amounts due from CNOOC, its subsidiaries, andassociates, (other than the ultimate holding company collectively referred to as the " CNOOC group companies")included in the above trade receivable balances are in aggregateRMB34,313,000(31 December 2014: RMB29,478,000). 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 2015, the Group has transferred bills receivable through endorsement to its suppliers to settle its payables amounted to RMB144,396,000(31 December 2014:RMB108,613,000). As at 30 June 2015, the Group discounted bill receivables with an aggregate carrying amount of RMB27,500,000 to a bank for cash proceeds of RMB27,131,000(31 December 2014: discounted bills receivable with an aggregate carrying amount of RMB45,050,000to a bank for cash proceeds of RMB44,116,000). 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.

Notes to the Interim Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2015

12. Prepayments, deposits and other receivables

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Prepayments	**281,665**	216,921
Prepaid lease payments	**15,081**	14,563
Deposits and other receivables	**130,305**	141,089
Value Added Tax ("VAT") recoverable	**280,815**	314,062
	707,866	686,635

The amounts due from the ultimate holding company, CNOOC group companies and associates included in the above areanalysed as follows:

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Ultimate holding company	-	2,598
CNOOC group companies	**46,421**	30,021
Associates	**8,155**	8,155
Joint ventures	-	643
	54,576	41,417

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

13. Bank balances and cash

The Group's bank balances and cash were denominated in RMB as at 30 June 2015and 31 December 2014, except for amounts of RMB226,332,000 (31 December 2014: RMB62,758,000) which was translated from US$37,019,000 (31 December 2014: US$10,232,000); RMB1,582,000 (31 December 2014: RMB636,000) which was translated from HK$1,888,000 (31 December 2014: HK$806,000); RMB1,381,000 (31 December 2014: RMB40,317,000) which was translated from CAD$281,000 (31 December 2014: CAD$7,642,000); and RMB21,000 (31 December 2014: Nil) which was translated from EUR$3,000 (31 December 2014: Nil).

The RMB is not freely convertible into other currencies. However, under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

As at 30 June 2015, included in the Group's bank balances and cash were RMB492,808,000(31 December 2014: RMB589,292,000) deposited in CNOOC Finance Corporation Limited ("CNOOC Finance"). The deposits with CNOOC Finance are entitled to interest at rates similar to the prevailing bank deposit.

Notes to the Interim Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2015

14. Issued capital

	Number of shares '000	Nominal value RMB'000
Registered capital	**4,610,000**	**4,610,000**
Issued and fully paid:		
Domestic Shares of RMB1 each, currently not listed:		
- State-owned shares	**2,739,000**	**2,739,000**
- Other legal person shares	**75,000**	**75,000**
Unlisted Foreign Shares of RMB1 each	**25,000**	**25,000**
H shares of RMB1 each	**1,771,000**	**1,771,000**
As at 30 June 2015 (unaudited) and 31 December 2014 (audited)	**4,610,000**	**4,610,000**

15. Proposed dividends

Pursuant to the articles of association of the Company, the net profit after tax of the Company for the purpose of profitdistribution 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 and special dividend of RMB0.12 per share in respect of the year ended 31 December 2014(six months ended 30 June 2014: RMB0.14 per share in respect of the year ended 31 December 2013) was declared and paid to the owners of the Company. The aggregate amount of the final and special dividend declared and paid in the interim period amounted to RMB553,200,000(six months ended 30 June 2014: RMB645,400,000).

The board of directors of the Company did not recommend the payment of an interim dividend for the six month sended 30 June 2015(six months ended 30 June 2014: Nil).

16. Interest-bearing bank and other borrowings

During the six months ended 30 June 2015, the Group obtained new unsecured bank loans denominated in RMB amounting to RMB983,000,000 (six months ended 30 June 2014: RMB605,000,000). RMB953,000,000 of the said loans are repayable by 30 June 2016, bearing variable interest rate ranging from 4.82% to 5.10%; and RMB30,000,000 of the said loans are repayable by December 2021, bearing variable interest rate 5.90%. In the same period, the Group also obtained new unsecured loans denominated in USD amounting to RMB519,298,000(six months ended 30 June 2014: RMB221,535,000) from banks and RMB66,008,000 (six months ended 30 June 2014: Nil) from CNOOC Finance, all of which are bearing variable interest rate ranging from 1.4% to 2.18%.The said loans are repayable by 30 June 2016.

The proceeds from bank and other loans raised during the current period are to be used for financing working capital.

Notes to the Interim Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2015

17. 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 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Within six months	**432,432**	365,143
Over six months but within one year	**17,215**	76,992
Over one year but within two years	**2,884**	12,952
Over two years but within three years	**10,860**	1,508
Over three years	**2,622**	1,408
	466,013	458,003

As at 30 June 2015, the amounts due to CNOOC group companies included in the above trade payable and bills payable balances amounted to RMB194,524,000(31 December 2014: RMB131,518,000).

18. Other payables and accruals

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Advances from customers	**329,075**	363,857
Accruals	**16,376**	11,314
Accrued payroll	**211,147**	306,214
Other payables	**208,391**	223,257
Long-term liabilities due within one year	**1,798**	1,798
Interest payable	**2,834**	3,285
Payables to government	**98,262**	100,848
Other tax payables	**23,228**	30,156
Port construction fee payable	**164,656**	164,656
Payables in relation to the construction and purchase of property, plant and equipment	**495,055**	364,020
	1,550,822	1,569,405

As at 30 June 2015, the amounts due to CNOOC group companies included in the above other payables and accruals balances amounted to RMB70,126,000(31 December 2014: RMB46,935,000).

Notes to the Interim Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2015

19. Obligations under finance lease

The Group entered into sale and leaseback arrangements with CNOOC International Financial Leasing Limited("CNOOC Leasing") for certain of its manufacturing equipment which results in obligations under finance leases. The lease term is 1.25 years. Interest rates are floating around 2% per annum based on the three month USD London Interbank Offered Rate ("LIBOR"). The Group has option to purchase the equipment for a nominal amount at the end of the lease terms. No arrangements have been entered into for contingent rental payments.

	Minimum lease payments		Present value of minimum	
	2015/6/30	2014/12/31	2015/6/30	2014/12/31
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts payable under finance leases:				
Within one year	443,077	574,552	439,021	565,992
Less: future finance charges	4,056	8,560	-	-
Present value of lease obligations	439,021	565,992	439,021	565,992
Amounts due for settlement within 12 months	439,021	565,992	439,021	565,992

Financial lease obligations are denominated in USD, currency other than the functional currency of the relevant group entity.

20. Obligation arising from a put option to a non - controlling shareholder and derivative financial instruments

On 28 May 2013, the Company entered into an agreement (the "Agreement") with Benewood Holdings Corporation Limited ("Benewood"), a third party to incorporate CBC (Canada) Holding Corp.("CBC (Canada)"). The Company and Benewood agreed to invest CAD$24,000,000 (equivalent to approximately RMB141,363,000) and CAD$16,000,000(equivalent to approximately RMB94,242,000) to hold 60% and 40% equity interest in CBC (Canada) respectively. CBC (Canada) is considered a subsidiary of the Company as the Company controls CBC (Canada) unilaterally by its 60% voting rights.

On 20 June 2013, CBC (Canada) subscribed 45,040,876 newly issued common shares of Western Potash Corporation ("WPC"), a company listed on Toronto Stock Exchange, at a price of CAD$0.71 per share and the total consideration is CAD$31,979,000 (approximately RMB192,389,000). After completion of the transaction, CBC (Canada) held 19.9% of all issued and outstanding common shares in WPC and WPC is accounted for as an associate of the Company.

Pursuant to terms in the Agreement and supplemented by an amendment to the Agreement signed on 17 June 2015(the "Amendment"),the Company has granted a put option (the "Put Option") to Benewood, exercisable at any time after one year from 18 June 2013 and prior to the earlier of:

i. thirty months from the date of 18 June 2013; and

ii. ten business days after the date on which a decision to mine ("Decision to Mine") is made by WPC; and

iii. ten business days after the date on which a pilot project decision is made by WPC;

provided further that, if a decision to mine is made by WPC prior to the one year anniversary from 18 June 2013, Benewood may exercise the Put Option within ten business days from the date of the decision to mine(i,ii and iii are hereinafter referred to the "Exercise Period").

Benewood have the right to sell to the Company, and require the Company to acquire all of the Benewood's equity interest of CBC (Canada) during the Exercise Period at a cash consideration. The consideration will consist of the initial investment made by Benewood at an amount of CAD$16,000,000 plus a yield at LIBOR for U.S. dollar plus 3.5%.

Notes to the Interim Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2015

20. Obligation arising from a put option to a non - controlling shareholder and derivative financial instruments - continued

As at 30 June 2015, the pilot project is a smaller scale, lower capital cost pilot project than that relates to Decision to Mine. As of the date of issuance of these interim financial statements, neither Decision to Mine nor a pilot project decision has been made by WPC.

At initial recognition, the obligation arising from the Put Option to Benewood represents the present value of the obligation to deliver the share redemption amount at discount rate of 3.91%, based on the interest yield curve of LIBOR, amounting to approximately CAD$16,000,000 (equivalent to RMB94,242,000). This amount has been recognised as a liability in the condensed consolidated statement of financial position with a corresponding debit to the non-controlling interests. The fair value of the liability as at 30 June 2015approximated CAD$16,981,000(equivalent to RMB83,602,000) (31 December 2014: CAD$16,567,000(equivalent to RMB87,398,000)).

Under the same Agreementand supplemented by the Amendment, Benewood granted a call option (the "Call Option") to the Company, which is exercisable at any time prior to the earlier of(a)thirty months from the date of 18 June 2013; (b) ten business days after the date on which a Decision to Mine is made by WPC;and (c) ten Business Days after the date on which a pilot project decision is made by WPC; in events of the following Conditional Events:

i. Benewood fails to contribute its full pro rata share of financing required by an adopted program and budget of CBC (Canada); and

ii. the Company and Benewood fail to agree in respect of a future investment in WPC or any future cooperation between the CBC (Canada) and WPC with respect to joint development of the Milestone Project; or

iii. a decision is made by the board of directors of CBC (Canada) to transfer to a third party all of the shareholding interest held by the CBC (Canada) in WPC on or prior to the second anniversary of 18 June 2013.

Notwithstanding (b), if, the Company and Benewood are unable to agree on the future development plan of the CBC (Canada) prior to the expiration of the Call Option for any reason, the Company may exercise of the Call Option on the day of such expiry.

The Put Option which will be settled other than by exchange of fixed amount of cash for a fixed number of shares of a subsidiary and Call Option are accounted for as derivative financial instruments and are recognised at fair value in accordance with IAS 39 Financial Instruments: Recognition and Measurement. The fair value of the Put Option and Call Option is Nil upon initial recognition and approximates RMB47,942,000 as at 30 June 2015(31 December 2014: RMB50,072,000).

The fair values of the Put Option and Call Option as at 30 June 2015have been determined by using a Black-Scholes option pricing model with the following assumptions:

	CAD$'000
Exercise price	**17,280**
Share price	**7,520**
Time to maturity	**0.49 year**
Risk free rate	**0.62%**
Volatility	**30.81%**
Dividend yield	**0%**
Probability related to Conditional Events	**100%**

(i) Time to maturity was estimated as the remaining number of years until the expected exercise time as estimated by the management.

(ii) The risk free rate was determined based on the relevant Canada Sovereign Bond.

(iii) The volatility was estimated with reference to the historical volatility of WPC listed share price.

Notes to the Interim Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2015

21. Fair value measurements of financial instruments

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the condensed consolidated financial statements not measured at fair value on a recurring basis (but fair value disclosures are required) approximate their fair values. The following methods and assumptions were used to estimate the fair values:

The fair values of trade receivables, bills receivable, financial assets included in prepayments, deposits and other receivables, pledged bank deposits, time deposits, cash and cash equivalents, trade payables, bills payable, current portion of interest-bearing bank borrowings,financial liabilities included in other payables and accruals, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The carrying amounts of the non-current portion of interest-bearing bank borrowings approximate their fair values as the interest rates will adjust periodically based on People's Bank of China's benchmark rates and is close to market interest rate.

The recurring fair value measurement and fair value hierarchy for the derivative financial instrument and obligation arising from put option granted to a non-controlling shareholder, are as follows:

Financial assets /financial liabilities	Fair value as at 2015/6/30 (Unaudited) RMB'000	Fair value as at 2014/12/31 (Audited) RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Put option and Call option classified as derivative financial instruments	**47,942**	50,072	Level 3	Black-Scholes option pricing model. Key inputs include volatility and, expected life of the option	Expected life of the option	The longer the life, the higher the fair value (note i)
Obligation arising from a put option to a non-controlling shareholder	**83,602**	87,398	Level 2	Discounted cash flow. Key input includes discount rate based on interest yield curve of LIBOR	N/A	N/A

Note i: If the expected life to the valuation model were 1 month shorter while all the other variables were held constant, the carrying amount of the derivative financial instruments would decrease by approximateRMB102,000.

Notes to the Interim Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2015

21. Fair value measurements of financial instruments - continued

Reconciliation of Level 3 fair value measurements of derivative financial instruments

	30 June 2015 (Unaudited) RMB'000
At 1 January 2015	**50,072**
Fair value loss recognised in profit or loss	**(2,130)**
At 30 June 2015	**47,942**

The fair value measurements and valuation processes of the Group are the same as those followed in the year ended 31 December 2014. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

22. Commitments and contingent liabilities

(a) Contingent liabilities

In July 2014, Yangpoquan Coal commenced arbitration against the Company in respect of its interrupted operation in Yangpoquan Coal due to its disputes with the Company regarding the management of Yangpoquan Coal and other matters and claims compensation for damages for its losses suffered as a result of the aforesaid matters. The second hearing was held on 30 December 2014, now pending for arbitration to be awarded on 20 October 2015. The Group has been advised by its legal counsel that it is not probable that a significant liability will arise. Accordingly, no provision in relation to this claim has been recognised in these condensed consolidated financial statements.

(b) Capital commitments

As at 30 June 2015, the Group had the following capital commitments:

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Construction or purchases of property, plant and equipment		
Contracted, but not provided for	**207,733**	307,306
Authorised, but not contracted for	**125,954**	735,751
	333,687	1,043,057

Notes to the Interim Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2015

22. Commitments and contingent liabilities - continued

(c) Operating lease commitments

(i) As lessor

The Group leases certain of its land use right under operating lease arrangements with leases negotiated for terms from one year to twenty years to CNOOC group companies.

As at 30 June 2015and 31 December 2014, the Group had total future minimum lease receivables from CNOOC group companies under non-cancellable operating leases falling due as follows:

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Within one year	**2,912**	1,973
In the second to fifth years, inclusive	**8,764**	6,712
After five years	**5,307**	5,469
	16,983	14,154

(ii) As lessee

The Group leases certain of its properties and vehicles under operating lease arrangements. Leases for properties are negotiated for terms ranging from one month to eleven years, and those for vehicles are for terms ranging between one year and four years.

As at 30 June 2015 and 31 December 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Within one year	**3,195**	14,923
In the second to fifth years, inclusive	**9,738**	6,865
After five years	**6,398**	3,079
	19,331	24,867

Notes to the Interim Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2015

23. Related party transactions

(1) During the period, the Group had the following material transactions with related parties:

	Six months ended	
	30 June 2015 (Unaudited) RMB'000	30 June 2014 (Unaudited) RMB'000
(A) Included in revenue, other income and gains		
CNOOC group companies		
Sale of goods	**74,839**	70,020
Provision of transportation services	**410**	122
Provision of packaging and assembling services	**45,065**	25,131
Provision of other services	**331**	837
	120,645	96,110
(B) Included in cost of sales and other expenses		
CNOOC group companies		
Purchase of raw materials	**1,146,488**	1,124,044
Transportation services	**-**	57,413
Lease of offices	**15,565**	12,979
Construction and installation services	**1,580**	1,430
Labour services	**14,149**	10,438
Network services	**253**	184
Logistics services	**1,358**	1,520
	1,179,393	1,208,008
(C) Others		
CNOOC Finance		
Finance income	**1,839**	1,984
Finance cost	**7,331**	2
Fees and charges paid to CNOOC group companies	**729**	2,172

Notes to the Interim Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2015

23. Related party transactions - continued

(2) Balances with related parties

Details for following balances are set out in Notes11, 12, 13, 17, 18 and19 to the condensed consolidated financial statements. Those balances were mainly formed through routine trading transactions, reception of construction services, and other miscellaneous transactions with related parties.

	Due from related parties		Due to related parties	
	30 June 2015	31 December 2014	30 June 2015	31 December 2014
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	RMB'000	RMB'000	RMB'000	RMB'000
The ultimate holding company	-	2,598	**532**	532
CNOOC group companies (excluding CNOOC Finance)	**80,734**	63,847	**709,642**	755,813
Associates	**8,155**	8,155	-	-
Jointly ventures	-	643	-	-
CNOOC Finance	-	-	**66,682**	27

	30 June 2015	31 December 2014
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Deposits placed by the Group with CNOOC Finance	**492,808**	589,292

(3) Compensation of key management personnel of the Group

	Six months ended	
	30 June 2015	30 June 2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Short-term employee benefits	**1,068**	1,350
Post-employment benefits	**71**	88
	1,139	1,438

Notes to the Interim Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2015

23. Related party transactions - continued

(4) Transactions with other state-owned enterprises ("SOE") in the PRC

The Group has entered into extensive transactions covering the sales of goods and rendering of services, receipt of construction services, purchases of goods, services or property, plant and equipment, with SOEs other than CNOOC group companies, in the normal course of business at terms comparable to those with other non-SOEs.

The Group's deposits and borrowings with certain state-owned banks in the PRC as at 30 June 2015and 31 December 2014 are summarised below:

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Cash and cash equivalents	**5,257,305**	5,530,270
Pledged bank deposits	**5,200**	5,709
Time deposits	**35,447**	-
	5,297,952	5,535,979
Short-term bank loans	**136,475**	-
Long-term bank loans	**1,771,000**	1,951,000

24. Events after the reporting period

On 4 July 2015, Beijing Tairui Innovation Capital Management Ltd.("Tairui"), reached an agreement with WPC to invest CAD$80 million for a 51% shareholding upon closing of the transaction on 31 August 2015.

On 23 July 2015, CBC (Canada) decided to exercise its pre-emptive right for 2,144,865 common shares after the acquisition of 51% shares in WPC by Tairui was approved by the existing shareholders of WPC, which will result in CBC (Canada) holding, upon closing of the transaction, a total equity interest of 10.1% in WPC.

The above subscriptions were approved by the existing shareholders of WPC on 24 August 2015.

25. Approval of condensed consolidated financial statements

The condensed consolidated financial statements were approved and authorised for issue by the board of directors on 26 August 2015.

Company Information

Registered Office	No.1 Zhu Jiang South Street, Dongfang City, Hainan Province, the PRC
Address of headquarter	Kaikang CNOOC Mansion, No.15, Sanqu, Anzhenxili, Chaoyang District, Beijing, the PRC
Principal place of business in the PRC	No.1 Zhu Jiang South Street, Dongfang City, Hainan Province, the PRC
Representative Office in Hong Kong	65/F., Bank of China Tower, No.1 Garden Road, Central, Hong Kong
Company Secretary	Quan Changsheng
Authorized representatives	Wang Hui Quan Changsheng
Alternate to authorized representatives	Yu Jianwei
Principal banker	Bank of China, Hainan Branch
Auditor	Deloitte Touche Tohmatsu 35/F One Pacific Place, 88 Queensway, Hong Kong
Hong Kong law legal adviser	Freshfields Bruckhaus Deringer 11th Floor, Two Exchange Square, Central, Hong Kong
The PRC law legal adviser	Jun He Law Offices China Resources Building, 20th Floor, 8 Jianguomenbei Avenue
H Share registrar and transfer office	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East, Wanchai, Hong Kong
Investor Relations/Public Relations	
Hong Kong	Tel: (852) 22132533 Fax: (852) 25259322
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Webiste	www.chinabluechem.com.cn
Stock Code	Hong Kong Stock Exchange: 3983