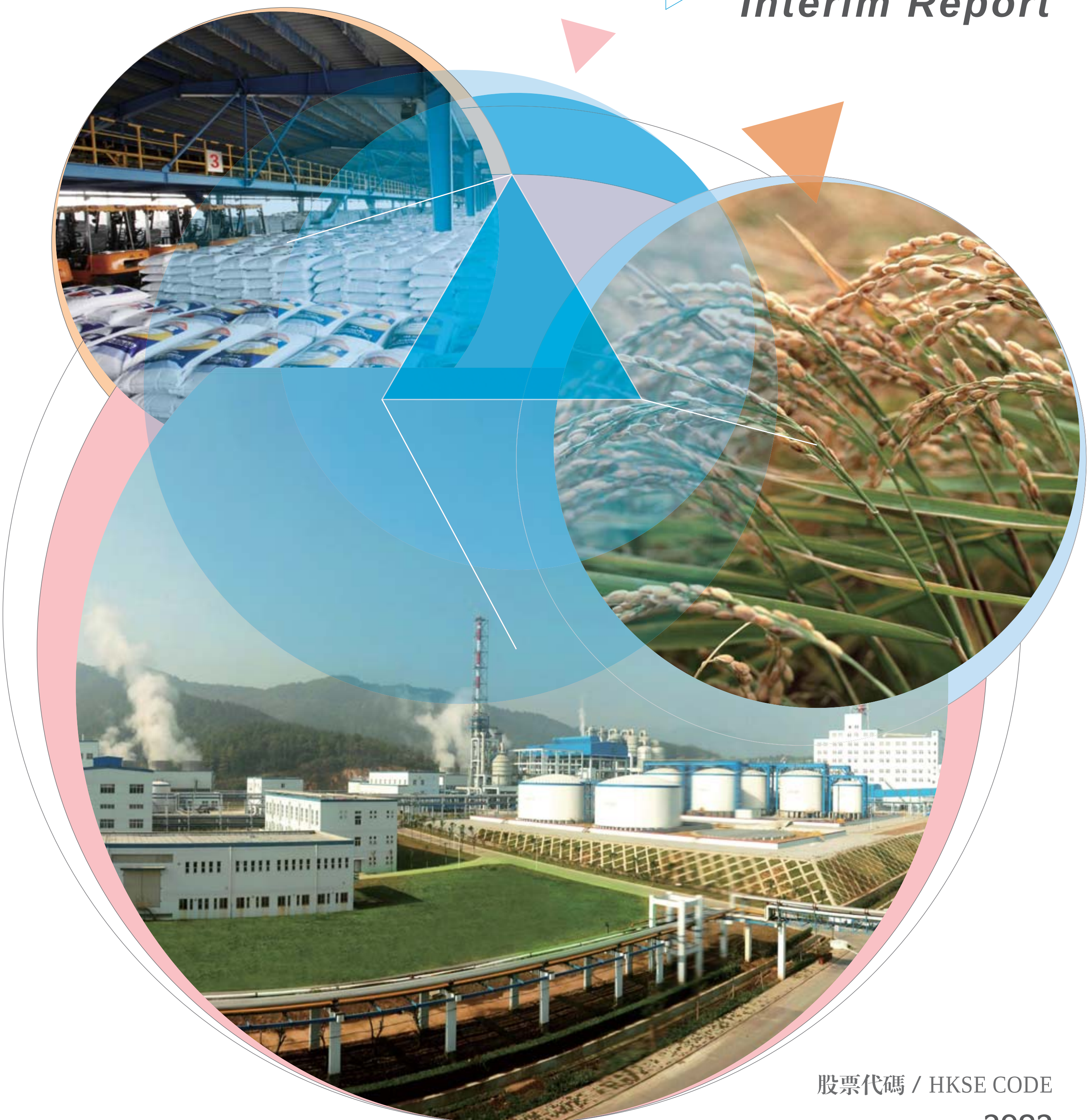
中海石油化學股份有限公司
China BlueChemical Ltd.

2017 / 中期報告
Interim Report



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Contents

Financial Highlights

Selected data of condensed consolidated statement of profit or loss

For the six months ended 30 June 2017
(All amounts expressed in thousands of Renminbi, except for per share data)

Selected data	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Revenue	**5,137,095**	3,877,567
Cost of sales	**(4,293,363)**	(3,776,642)
Gross profit	**843,732**	100,925
Other income, other gains and losses	**133,898**	132,082
Selling and distribution costs	**(176,621)**	(176,506)
Administrative expenses	**(208,379)**	(189,734)
Other expenses	**(5,065)**	(4,244)
Change in fair value of obligation arising from a put option to a non-controlling shareholder	-	(1,519)
Change in fair value of derivative financial instrument	-	(1,689)
Gain recognised on expiry of the Put Option and Call Option	-	53,822
Gain on loss of control of a subsidiary	-	6,282
Finance income	**4,257**	3,557
Finance costs	**(61,099)**	(71,659)
Net exchange losses	**(15,041)**	(11,392)
Share of losses of joint ventures	**(33,471)**	(609)
Share of losses of associates	**(763)**	(675)
Profit/(loss) before tax	**481,448**	(161,359)
Income tax (expenses)/credit	**(153,545)**	19,339
Profit/(loss) for the period	**327,903**	(142,020)
Profit/(loss) for the period attributable to:		
Owners of the parent	**290,159**	(124,077)
Non-controlling interests	**37,744**	(17,943)
	327,903	(142,020)
Earnings/ (losses) per share attributable to ordinary owners of the parent		
- Basic for the period (RMB)	**0.06**	(0.03)

Selected data of condensed consolidated statement of financial position

As at 30 June 2017
(All amounts expressed in thousands of Renminbi)

Selected data	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Assets		
Non-current assets	**11,102,447**	11,591,043
Current assets	**8,543,401**	8,075,650
Total assets	**19,645,848**	19,666,693
Equity and liabilities		
Total equity	**14,411,764**	14,313,860
Non-current liabilities	**2,564,988**	2,598,154
Current liabilities	**2,669,096**	2,754,679
Total equity and liabilities	**19,645,848**	19,666,693

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 (%)		
		2017	2016	Change %	2017	2016	Change
Chemical Fertilisers							
Urea	Fudao Phase I	**295,680**	227,462	30.0	**113.7**	87.5	26.2
	Fudao Phase II	**421,436**	230,734	82.7	**105.4**	57.7	47.7
	CNOOC Tianye	**152,378**	296,318	(48.6)	**58.6**	114.0	(55.4)
	CNOOC Huahe	**308,635**	318,035	(3.0)	**118.7**	122.3	(3.6)
	Group total	**1,178,129**	1,072,549	9.8	**99.8**	90.9	8.9
Phosphate Fertilisers and Compound Fertilisers	DYK MAP	**15,022**	26,322	(42.9)	**20.0**	35.1	(15.1)
	DYK DAP Phase I (Note 1)	**147,944**	169,018	(12.5)	**84.5**	96.6	(12.1)
	DYK DAP Phase II	**298,580**	256,593	16.4	**119.4**	102.6	16.8
	Group total	**461,546**	451,933	2.1	**92.3**	90.4	1.9
Chemical Products							
Methanol	Hainan Phase I	**260,709**	291,101	(10.4)	**86.9**	97.0	(10.1)
	Hainan Phase II	**384,637**	405,893	(5.2)	**96.2**	101.5	(5.3)
	CNOOC Tianye	**119,136**	84,552	40.9	**119.1**	84.6	34.5
	Group total	**764,482**	781,546	(2.2)	**95.6**	97.7	(2.1)

Sales volume of the Group's various plants (Unit: tonne)

		For the six months ended 30 June		
		2017	2016	Change %
Chemical Fertilisers				
Urea	Fudao Phase I	**266,648**	206,240	29.3
	Fudao Phase II	**379,982**	247,685	53.4
	CNOOC Tianye	**145,413**	268,839	(45.9)
	CNOOC Huahe	**439,066**	289,626	51.6
	Group total	**1,231,109**	1,012,390	21.6
Phosphate Fertilisers and Compound Fertilisers	DYK MAP	**27,225**	14,575	86.8
	DYK DAP Phase I (Note 1)	**157,840**	126,391	24.9
	DYK DAP Phase II	**341,972**	249,549	37.0
	Group total	**527,037**	390,515	35.0
Chemical Products				
Methanol	Hainan Phase I	**261,950**	287,188	(8.8)
	Hainan Phase II	**367,354**	408,085	(10.0)
	CNOOC Tianye	**122,823**	87,188	40.9
	Group total	**752,128**	782,461	(3.9)

Note 1: The DYK DAP Phase I Plant produced 97,581 tonnes of DAP and 50,363 tonnes of compound fertilisers, totaling at 147,944 tonnes, and sold 120,650 tonnes of DAP and 37,190 tonnes of compound fertilisers, totaling at 157,840 tonnes, in the first half of 2017. In the first half of 2016, the DYK DAP Phase I Plant produced 143,277 tonnes of DAP and 25,741 tonnes of compound fertilisers, totaling at 169,018 tonnes, and sold 104,131 tonnes of DAP and 22,260 tonnes of compound fertilisers, totaling at 126,391 tonnes.

CEO's Report

Dear shareholders,

In the first half of 2017, the Company proactively strengthened production and operation management and built up marketing capabilities, with production and sales of urea and those of methanol by CNOOC Tianye reaching a record high for the corresponding periods. The Company realised revenue of RMB5,137.1 million, representing an increase of 32.5% from the same period last year, and recorded profit attributable to owners of the parent of RMB290.2 million.

The Company has been adhering to the philosophy of green and sustainable development for years. In the first half of 2017, the quality check passing rate of key products was 100% and OSHA recordable occupational injury rate stood at 0.04. The Company was again awarded the Benchmark Enterprise of Leading Energy Efficiency of the ammonia and methanol industries by the China Petroleum and Chemical Industry Federation.

Review on the First Half of the Year

During the reporting period, through refined management of the production process, various production units, including the CNOOC Tianye Urea Plant which resumed production on 24 March, operated safely and steadily. In particular, the DYK Chemical Phase II DAP Plant and the CNOOC Huahe Coal-based Urea Plant broke their longest running records with an utilisation rate of 119%. The Fudao Phase II Urea Plant, the Hainan Phase I Methanol Plant and the Hainan Phase II Methanol Plant operated continuously for over 200 days. As a result, the Company produced 1,178,000 tonnes of urea in the first half of the year, representing an increase of 10% from the same period last year and an all-time high for the corresponding periods. Thanks to sufficient natural gas supply, CNOOC Tianye produced 119,000 tonnes of methanol, which was the highest half-year output on record.

On the sales front, in face of fierce competition in the market, the Company remained steadfast in implementing the reform of its marketing system, followed the market trend closely, and deployed its products accordingly. The Company made its first direct sale to farming and reclamation system, based on which it will start an all-round cooperation with the farming and reclamation system in Baoquanling, Heilongjiang Province for its fertiliser business. Nine major marketing centres and 20 business outlets were established in Guangxi Province to promote in-depth distribution and build service-oriented marketing network. To further expand its sales channels, the Company started to cooperate closely with Sinofert and Ameropa in the domestic and overseas markets. In the first half of the year, sales of urea and phosphate and compound fertilisers increased by 22% and 35% of the same period of last year to 1,231,000 tonnes and 527,000 tonnes respectively. Urea sales also hit a record high for the corresponding periods.

With our intensifying effort in reducing cost and enhancing efficiency, CNOOC Huahe actively expanded its coal procurement channels; DYK Chemical seized the raw materials procurement timing accurately to minimise its cost; CNOOC Tianye continued to deepen its cooperation with surrounding refineries to provide high and low-pressure steam to increase revenue and use the gas from refineries to reduce the cost on natural gas; the Company made use of its internal capacity to carry out maintenance and repair works to further reduce the maintenance cost of its plants. In the first half of the year, wealth management gains of RMB110 million were realised through refined wealth management business.

The Company endeavoured to push ahead with innovation in fertiliser products and development of high value-added products with a high technological content. At present, a number of new value-added fertiliser products including Zn-polyamino acid urea and Zn-humic acid DAP have been developed.

Outlook for the Second Half of 2017

Look ahead to the second half of the year, it is believed that domestic demand for fertilisers will enter into a weak season. Complete marketisation of the industry and higher environmental protection standards in the PRC will accelerate the consolidation of the chemical fertiliser industry in the PRC. The development of methanol-to-olefins will still be the primary driver of methanol demand.

In the second half of the year, the Company will continue to use our best endeavour to coordinate upstream supply of natural gas, and try to finalise Dongfang 13-2 Gasfield Natural Gas Supply Agreement; strengthen HSE and refined production management, achieve safe and stable operation of each production unit, and complete the replacement of the high-pressure pool condenser at Fudao Phase II Urea Plant; put heightened emphasis on the autumn sales and winter storage and sales of chemical fertilisers, consummate the reform of marketing system, promote in-depth distribution and e-commerce sales model, and put more effort into the sales of efficient and new fertilisers; implement cost control and quality and efficiency enhancement measures, strive for quality upgrade of products, and strictly control cost and expenses; respond to the "Belt and Road" strategy of the PRC, keep track of domestic and overseas exploration of natural gas by upstream companies to actively look for development opportunities, with the aim of creating value for shareholders continuously.

Xia Qinglong

CEO & President

Management Discussion and Analysis

Sector Review

Chemical fertiliser industry

In 2017, to continue its work to maintain the steady development of agriculture, the PRC government continued to implement floor prices for acquisition of wheat and grain rice as well as the agricultural subsidy policy. It emphasised the absolute safety of food crops and stabilised the plantation of food crops such as rice and wheat, and increased the production of quality edible soy beans and potatoes while continuing to reduce the production of grain corns in non-advantageous regions.

Since 1 January 2017, the PRC government has abolished the tariff on nitrogen and phosphate fertiliser exports and lowered the tariff on NPK compound fertiliser exports.

After a series of previous reform, the fertiliser industry in the PRC has been largely marketised, featuring the increasingly high environmental standards, the continued low utilisation rates of urea and phosphate fertiliser plants and improved profitability of the industry.

(I) Urea

In the first half of 2017, according to the statistics of China Nitrogen Fertilizer Industry Association, domestic urea production volume was approximately 27.97 million tonnes (in kind), representing a decrease of approximately 17% as compared to the first half of 2016. Domestic urea exports were hindered by the prolonged decline in international urea market prices. Consequently, the export volume of urea decreased significantly by 46% to 2.75 million tonnes (in kind) in the first half of this year as compared to the same period last year.

From the beginning of 2017 to mid-February, due to low utilisation rate, reduced inventory and driven by cost, domestic urea price extended the previous trend to increase from approximately RMB1,600 per tonne to approximately RMB1,700 per tonne. Thereafter, due to the increase in supply, urea price in the domestic market fell from the peak to a low at approximately RMB1,500 per tonne in mid-April. From late-April, with the industry-wide low utilisation rate and increase in the demand for fertilisers in summer, urea price in the domestic market rose unsteadily and recovered to approximately RMB1,620 per tonne at the end of June.

(II) Phosphate fertilisers

In the first half of 2017, according to the statistics of China Phosphate and Compound Fertilizer Industry Association, domestic production volume of ammonium phosphate was approximately 20.92 million tonnes (in kind), representing an increase of approximately 1% as compared to the first half of 2016. Due to the robust demand in the international market coupled with the abolition of tariff on phosphate fertiliser exports by the PRC government, the export volume of domestic ammonium phosphate in the first half of the year increased by 24% to 3.62 million tonnes (in kind) as compared to the same period last year.

In the first quarter of 2017, affected by the rising raw material prices and production limitation jointly implemented by major domestic DAP manufacturers, domestic DAP price increased from approximately RMB2,250 per tonne to approximately RMB2,450 per tonne. In the second quarter, the price started to decline while exports started to increase as the domestic market entered its traditional weak season. DAP price in the domestic market was approximately RMB2,350 per tonne at the end of June.

Methanol

In the first half of 2017, methanol-to-olefins remained to be the major driving force for the growth in domestic methanol demand. Affected by the demand and supply equilibrium, futures prices and arbitrage among regional markets, domestic methanol price retreated after a pickup.

In the first half of 2017, domestic production volume of methanol was approximately 22.45 million tonnes, representing an increase of approximately 6% from the same period last year, while imports decreased by 8% compared to the same period last year to 3.90 million tonnes.

At the beginning of 2017, domestic methanol price continued the uptrend of the second half of 2016. The significant increase in domestic port price was supported by lower imports, rising futures prices and the anticipation of olefins demand. In early March of 2017, the price rose to approximately RMB3,170 per tonne. After that, as methanol plants under maintenance in the PRC resumed operation, which resulted in increase of supply, and as the inflow of domestic goods into the ports, domestic methanol market price went down. At the end of June, major domestic methanol market price was approximately RMB2,355 per tonne.

Business Review

During the reporting period, through refined management of the production process, various production units, including the CNOOC Tianye Urea Plant which resumed production on 24 March, were operated safely and steadily. In particular, the CNOOC Huahe Coal-based Urea Plant, the CNOOC Tianye Methanol Plant and the Hubei Phase II DAP plant reached a utilisation rate of 119%. Production volume of urea for the first half of the year amounted to 1.178 million tonnes, marking a record high for the corresponding periods. Output of ammonium phosphate and compound fertilisers was 462,000 tonnes whereas that of methanol was 764,000 tonnes, remaining at approximately the same levels as compared to those in the same period last year.

In face of fierce competition in the market, the Company remained steadfast in the reform of its marketing system to expand sales channels and develop international markets by leveraging its branding and geographic advantages. In the first half of the year, sales volume of urea increased by 22% from the same period last year to 1.231 million tonnes, marking another record high for the corresponding periods. Sales of methanol amounted to 752,000 tonnes, with production and sales of methanol by CNOOC Tianye reaching their half-year highs. Sales of phosphate and compound fertilisers amounted to 527,000 tonnes, representing an increase of 35% as compared to the same period last year. Urea and DAP exports was 291,000 tonnes and 110,000 tonnes, respectively.

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					
	2017			2016		
	Production Volume *(tonnes)*	Sales volume *(tonnes)*	Utilisation rate *(%)*	Production Volume *(tonnes)*	Sales volume *(tonnes)*	Utilisation rate *(%)*
Chemical fertilisers						
Urea						
Fudao Phase I	**295,680**	**266,648**	**113.7**	227,462	206,240	87.5
Fudao Phase II	**421,436**	**379,982**	**105.4**	230,734	247,685	57.7
CNOOC Tianye	**152,378**	**145,413**	**58.6**	296,318	268,839	114.0
CNOOC Huahe	**308,635**	**439,066**	**118.7**	318,035	289,626	122.3
Group total	**1,178,129**	**1,231,109**	**99.8**	1,072,549	1,012,390	90.9
Phosphate fertilisers and Compound fertilisers						
DYK MAP	**15,022**	**27,225**	**20.0**	26,322	14,575	35.1
DYK DAP Phase I (Note 1)	**147,944**	**157,840**	**84.5**	169,018	126,391	96.6
DYK DAP Phase II	**298,580**	**341,972**	**119.4**	256,593	249,549	102.6
Group total	**461,546**	**527,037**	**92.3**	451,933	390,515	90.4
Chemical products						
Methanol						
Hainan Phase I	**260,709**	**261,950**	**86.9**	291,101	287,188	97.0
Hainan Phase II	**384,637**	**367,354**	**96.2**	405,893	408,085	101.5
CNOOC Tianye	**119,136**	**122,823**	**119.1**	84,552	87,188	84.6
Group total	**764,482**	**752,127**	**95.6**	781,546	782,461	97.7

Note 1: The DYK DAP Phase I Plant produced 97,581 tonnes of DAP and 50,363 tonnes of compound fertilisers, totaling at 147,944 tonnes, and sold 120,650 tonnes of DAP and 37,190 tonnes of compound fertilisers, totaling at 157,840 tonnes, in the first half of 2017. In the first half of 2016, the DYK DAP Phase I Plant produced 143,277 tonnes of DAP and 25,741 tonnes of compound fertilisers, totaling at 169,018 tonnes, and sold 104,131 tonnes of DAP and 22,260 tonnes of compound fertilisers, totaling at 126,391 tonnes.

BB fertilisers

In the first half of 2017, the Group produced a total of 30,375 tonnes of BB fertilisers with a sales volume of 26,019 tonnes.

Financial Review

Revenue and gross profit

During the reporting period, the Group's revenue was RMB5,137.1 million, an increase of RMB1,259.5 million, or 32.5%, from RMB3,877.6 million in the same period of 2016.

During the reporting period, the Group's external revenue from urea was RMB1,790.7 million, representing an increase of RMB512.8 million, or 40.1%, from RMB1,277.9 million in the same period of 2016. The increase was primarily attributable to (1) an increase in the sales volume of urea by 218,719 tonnes, leading to an increase in our revenue by RMB276.1 million; and (2) an increase in revenue by RMB236.7 million due to an increase in the selling price of urea by RMB192.3 per tonne.

During the reporting period, the Group's external revenue from phosphate fertilisers and compound fertilisers was RMB1,136.0 million, an increase of RMB272.6 million, or 31.6%, from RMB863.3 million in the same period of 2016. The increase was primarily attributable to (1) an increase in the sales volume of phosphate fertilisers and compound fertilisers by 136,521 tonnes, resulting in an increase in revenue by RMB301.8 million; and (2) a decrease in revenue by RMB29.2 million caused by a drop in the price of phosphate fertilisers and compound fertilisers by RMB55.3 per tonne.

During the reporting period, the Group's external revenue from methanol was RMB1,675.2 million, an increase of RMB506.2 million, or 43.3%, from RMB1,169.0 million in the same period of 2016. The increase was primarily attributable to (1) a decrease in the sales volume of methanol by 30,334 tonnes, resulting in a decrease in revenue by RMB45.3 million; and (2) an increase in revenue by RMB551.5 million caused by an increase in the selling price of methanol by RMB733.2 per tonne.

During the reporting period, the Group's external revenue from other segments (primarily comprising port operations and provision of transportation services, trading of fertilisers and chemicals, manufacture and sales of BB fertilisers and woven plastic bags), decreased by RMB32.1 million, or 5.6%, to RMB535.2 million as compared to RMB567.3 million in the same period of 2016, which was primarily attributable to (1) a decrease in revenue of the year by RMB41.5 million in the trading segment; (2) a decrease in revenue by RMB11.5 million due to the decrease in the transportation volume of the Basuo Port by 215,000 tonnes, which were partially offset by (3) a significant increase by RMB21.0 million in revenue from last year due to other income (mainly includes liquid ammonium and formaldehyde).

The Group's gross profit for the reporting period amounted to RMB843.7 million, an increase of RMB742.8 million, or 736.2%, from RMB100.9 million for the same period of 2016. The increase was primarily attributable to (1) a significant increase in the selling prices of our major products, namely urea and methanol, from the same period of last year; (2) temporary suspension of production in our Hainan Fudao Phase I Urea Plant for 45 days due to scheduled overhaul and the Phase II Urea Plant for 85 days due to equipment repair in 2016, which resulted in a drastic decrease in sales volume and sales revenue of urea and a significant increase in costs of maintenance and repair. During the reporting period, the suspension of operation of CNOOC Tianye urea plant continued due to the extremely low selling prices in the urea market upon the completion of the scheduled maintenance in the second half of last year and a gas supply shortage. CNOOC Tianye urea plant resumed operation on 24 March 2017. Apart from that, other operation of the urea plants operated stably and did not bring any unusual impact on the revenue and costs; (3) The increase in gross profit of phosphate fertilisers and compound fertilisers is mainly attributable to the significant increase in the sales volume of the year, which was partially offset by (4) the decrease in gross profit from last year due to the decrease in the transportation volume and the increase in dredging costs of the Basuo Port.

Other income, other gains and losses

The Group's other income, other gains and losses for the reporting period amounted to RMB133.9 million, an increase by RMB1.8 million, or 1.4%, from RMB132.1 million in the same period of 2016. The increase was primarily attributable to the bank investment gains of RMB110.4 million and gains from other segments of RMB24.0 million.

Selling and distribution costs

The Group's selling and distribution costs for the reporting period amounted to RMB176.6 million, representing an increase of RMB0.1 million, or 0.1%, from RMB176.5 million in the same period of 2016, which remained almost equal.

Administrative expenses

The Group's administrative expenses for the reporting period amounted to RMB208.4 million, representing an increase of RMB18.7 million, or 9.9%, from RMB189.7 million in the same period of 2016. The increase was primarily attributable to (1) the accrued termination costs of RMB10.0 million by CNOOC Tianye; and (2) an increase of RMB2.9 million in the Group's dismissal costs during the reporting period.

Other expenses

The Group's other expenses for the reporting period amounted to RMB5.1 million, an increase of RMB0.9 million, or 19.3%, from RMB4.2 million in the same period of 2016. The increase was principally due to (1) an increase in bank charges by RMB1.3 million; which was partially offset by (2) a decrease in non-operating expenses by RMB0.5 million.

Finance income and finance costs

The Group's finance income for the reporting period increased by RMB0.7 million to RMB4.3 million from RMB3.6 million in the same period of 2016.

The Group's finance costs for the reporting period amounted to RMB61.1 million, representing a decrease by RMB10.6 million from RMB71.7 million in the same period of 2016. The decrease was primarily attributable to (1) the decrease in finance costs of Huahe Coal Chemical by RMB1.4 million due to the decrease in external finance fund; and (2) a decrease in finance costs of Dayukou by RMB8.0 million due to the decrease in external finance fund.

Net exchange losses

During the reporting period, the Group recorded net exchange losses of RMB15.0 million, representing an increase of RMB3.6 million compared with net exchange losses of RMB11.4 million in the same period of 2016, which was primarily attributable to (1) exchange losses of RMB19.2 million in deposits due to the depreciation of USD, which is mainly attributable to the decline in the exchange rates of USD in general for the first half of 2017; and (2) exchange gains of RMB4.2 million from the Company's operation due to fluctuations in exchange rates.

Share of losses of associates and joint ventures

The Group's share of losses of associates and joint ventures for the reporting period amounted to RMB34.2 million, representing an increase of RMB32.9 million in losses from the share of losses of associates and joint ventures of RMB1.3 million in the same period of 2016, mainly due to the recognition of investment loss of RMB31.1 million to the joint venture CBC (Canada) during the reporting period.

Income tax expense

The Group's income tax expense for the reporting period was RMB 153.5 million, representing an increase of RMB172.8 million from RMB-19.3 million in the same period of 2016. The increase was principally due to (1) an increase in current income tax expenses by RMB165.4 million arising from profits; and (2) an increase in current income tax adjustment of RMB6.6 million from the previous period.

Net profit for the period

The Group's profit after tax for the reporting period was RMB327.9 million, representing an increase by RMB469.9 million, from the net loss of RMB142.0 million in the same period of 2016.

Dividends

The board of directors of the Company (the "Board") did not recommend the payment of an interim dividend for the six-month period ended 30 June 2017.

During the reporting period, the Company distributed the special dividend amounted to RMB230.5 million in cash for 2016.

Significant investment

During the reporting period, the Group held certain significant investments. Please refer to "13 Investment in joint ventures; and 14 Investment in associates in Notes to the Consolidated Financial Statements" for details.

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 RMB8.9 million.

Pledge of assets

As at 30 June 2017, 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 and maximise shareholders' value. The Group manages its capital structure and makes timely adjustments in light of the change of 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 2017 (calculated as interest- bearing liabilities divided by the sum of total equity and interest bearing liabilities) was 17.4%.

Cash and cash equivalents

As at the beginning of the reporting period, the Group's cash and cash equivalents were RMB5,698.4 million. For the reporting period, the net cash inflow from operating activities was RMB606.4 million, net cash outflow from investing activities was RMB494.3 million, net cash inflow from financing activities was RMB405.2 million, and the effect caused by the exchange movement on cash and cash equivalents was RMB-19.2 million. As at 30 June 2017, the Group's cash and cash equivalents were RMB6,196.5 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 2017, the Group had 5,647 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 training courses with a total of 47,102 enrolments and 181,050 training hours according to its annual training plan.

During the reporting period, the Company held 138 safety training courses, with a total of 5,523 enrolments and 37,866 training hours, covering topics such as safety awareness, regulatory information, risk management measures, knowledge on fire hazard prevention, 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, phosphorous ore, synthetic ammonia and sulphur), fuels (mainly natural gas and coal), energy costs and fluctuations in interest rates and exchange rates.

Commodity price risk

The Group is also exposed to risks in commodity prices arising from changes in the selling prices of products 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 RMB to USD exchange rate ranged between 6.7744 and 6.9526. Fluctuation in the exchange rate of RMB to USD may affect our sales revenue from the export 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

As at 30 June 2017, the Group had no subsequent events or contingent liabilities.

Material litigation and arbitration

As at 30 June 2017, the Company had no material litigation and arbitration.

The arbitration case which began in 2014 in relation to Shanxi Hualu Yangpoquan Coal Mining Co., Ltd. (refer to the announcement dated 10 July 2014) is in process.

Sector Outlook

Looking ahead to the second half of 2017, we expect that the domestic market will enter in to a weak season for the use of fertilisers. The fully marketised industrial environment and higher environmental protection standards in the PRC will accelerate the elimination of outdated fertiliser capacities. Following the structural adjustment of value-added tax rate, the value-added tax rate for chemical fertilisers will reduce from 13% to 11% in the second half of this year.

As for methanol, the development of methanol-to-olefins will still be the primary driver of methanol demand.

Our Key Tasks in the second half of 2017

1. To use our best endeavours to coordinate with upstream supply of natural gas, and try to finalise Dongfang 13-2 Gasfield Natural Gas Supply Agreement;

2. To continue to strengthen and enhance HSE and refined production management, to achieve safe and stable operation of each production unit, and to complete the replacement of the high-pressure pool condenser of Fudao Phase II Urea Plant;

3. To put heightened emphasis on the autumn sales and winter storage and sales of chemical fertilisers, to consummate the reform of marketing system, to promote in-depth distribution and e-commerce sales model, and to put more effort into the sales of efficient and new fertilisers;

4. To implement cost control and quality and efficiency enhancement measures, to strive for quality upgrade of products, and to strictly control cost and expenses;

5. To proceed with the preliminary work for constructing the Xinhua coal mine in cooperation with professional coal producers;

6. To continue the feasibility studies of producing high value-added chemical products with natural gas in Hainan in tandem with the development of the offshore natural gas field in South of Hainan; and

7. To continue to look for organic growth and merger and acquisition 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 2017. The Group's unaudited interim results for the six months ended 30 June 2017 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 2017, 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 Information of Directors, Supervisors and Chief Executive

Change of Information of Directors

Mr. Xie Weizhi has ceased to be the general manager of the Finance and Assets department of CNOOC since 21 August 2017, and was appointed as the chief financial officer of CNOOC Limited on 21 August 2017. He resigned as a non-executive director of China Oilfield Services Limited, a company listed on the Stock Exchange of Hong Kong Limited (stock code: 2883) and Shanghai Stock Exchange (stock code: 601808) since 23 August 2017.

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 2017, 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 2017, 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 (Note 2)	Interests in controlled corporation	**296,378,000 (L)**	**H Shares**	**16.74 (L)**	**6.43 (L)**
Hermes Investment Management Ltd	Investment manager	**177,338,000 (L)**	**H Shares**	**10.01 (L)**	**3.85 (L)**
Edgbaston Investment Partners Limited	Investment manager	**143,462,000 (L)**	**H Shares**	**8.10 (L)**	**3.11 (L)**
Edgbaston Asian Equity Trust	Beneficial owner	**107,048,000 (L)**	**H Shares**	**6.04 (L)**	**2.32 (L)**
Mondrian Investment Partners Limited	Investment manager	**101,634,000 (L)**	**H Shares**	**5.74 (L)**	**2.20 (L)**

Notes: The letter (L) denotes long position.

(1) Mr. Chen Bi, the Chairman and non-executive Director of the Company, is also the deputy general manager of CNOOC. Mr. Guo Xinjun, a non-executive Director, is also the deputy general manager of the Strategy and Planning department of CNOOC. Mr. Xie Weizhi, a non-executive Director, was also the general manager of the Finance and Assets department of CNOOC as at 30 June 2017.

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

Save as disclosed above, to the best knowledge of any of the Directors and chief executives of the Company, as at 30 June 2017, 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 2017, 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 2017, 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 set out in the Listing Rules.

Deloitte. 德勤

Report on Review of Condensed Consolidated Financial Statements

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 42, which comprise the condensed consolidated statement of financial position as of 30 June 2017 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 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
29 August 2017

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2017

	Notes	Six months ended 30 June 2017 (Unaudited) RMB'000	30 June 2016 (Unaudited) RMB'000
Revenue	4	**5,137,095**	3,877,567
Cost of sales		**(4,293,363)**	(3,776,642)
Gross profit		**843,732**	100,925
Other income	4	**23,995**	17,752
Other gains and losses	5	**109,903**	114,330
Selling and distribution costs		**(176,621)**	(176,506)
Administrative expenses		**(208,379)**	(189,734)
Other expenses		**(5,065)**	(4,244)
Change in fair value of obligation arising from a put option to a non-controlling shareholder	25	-	(1,519)
Change in fair value of derivative financial instrument	25	-	(1,689)
Gain recognised on expiry of the Put Option and Call Option	25	-	53,822
Gain on loss of control of a subsidiary	25	-	6,282
Finance income		**4,257**	3,557
Finance costs	6	**(61,099)**	(71,659)
Net exchange losses	7	**(15,041)**	(11,392)
Share of losses of joint ventures		**(33,471)**	(609)
Share of losses of associates		**(763)**	(675)
Profit/(loss) before tax		**481,448**	(161,359)
Income tax (expenses)/credit	8	**(153,545)**	19,339
Profit/(loss) for the period	9	**327,903**	(142,020)
Profit/(loss) for the period attributable to:			
Owners of the parent		**290,159**	(124,077)
Non-controlling interests		**37,744**	(17,943)
		327,903	(142,020)
Earnings/ (losses) per share attributable to ordinary owners of the parent			
- Basic for the period (RMB)	10	**0.06**	(0.03)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017

	Six months ended	
	30 June 2017 (Unaudited) RMB'000	30 June 2016 (Unaudited) RMB'000
Profit/ (loss) for the period	**327,903**	(142,020)
Other comprehensive income that may be reclassified subsequently to profit or loss		
Fair value gains on unlisted investments during the period	**110,428**	114,384
Less: Reclassification adjustment relating to disposal upon maturity	**(110,428)**	(114,384)
Exchange differences arising on translation	**501**	9,546
Cumulative translation loss release to profit or loss upon loss of control over a subsidiary (Note 25)	**-**	37,191
Total comprehensive income/ (expense) for the period	**328,404**	(95,283)
Total comprehensive income/ (expense) for the period attributable to:		
Owners of the parent	**290,660**	(77,340)
Non-controlling interests	**37,744**	(17,943)
	328,404	(95,283)

Condensed Consolidated Statement of Financial Position

At 30 June 2017

	Notes	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Assets			
Non-Current Assets			
Property, plant and equipment	11	**8,535,073**	9,013,942
Prepayments for property, plant and equipment		**238**	-
Mining and exploration rights		**467,876**	469,036
Prepaid lease payments	12	**596,648**	604,569
Investment properties		**127,544**	130,656
Intangible assets		**26,908**	28,148
Investments in joint ventures	13	**244,972**	278,443
Investments in associates	14	**214,041**	214,804
Available-for-sale investments		**600**	600
Deferred tax assets	15	**885,547**	847,845
Other long-term prepayment		**3,000**	3,000
		11,102,447	11,591,043
Current Assets			
Inventories		**1,097,496**	1,279,001
Trade receivables	16	**215,419**	485,951
Bills receivable	16	**60,751**	109,509
Prepayments, deposits and other receivables	17	**239,037**	212,318
Tax recoverable		**232,988**	286,323
Pledged bank deposits		**4,136**	4,136
Time deposits with original maturity over three months		**497,105**	-
Cash and cash equivalents	18	**6,196,469**	5,698,412
		8,543,401	8,075,650
Total Assets		**19,645,848**	19,666,693
Equity And Liabilities			
Capital And Reserves			
Issued capital	19	**4,610,000**	4,610,000
Reserves		**8,766,801**	8,476,141
Proposed dividends	20	**-**	230,500
Equity attributable to owners of the parent		**13,376,801**	13,316,641
Non-controlling interests		**1,034,963**	997,219
Total Equity		**14,411,764**	14,313,860

Condensed Consolidated Statement of Financial Position - continued

At 30 June 2017

	Notes	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Non-Current Liabilities			
Benefits liability		**69,332**	67,581
Interest-bearing bank and other borrowings	21	**810,000**	810,000
Deferred tax liabilities	15	**49,042**	51,007
Deferred revenue		**155,677**	158,865
Obligation under finance lease	24	**1,366,039**	1,396,166
Other long-term liabilities		**114,898**	114,535
		2,564,988	2,598,154
Current Liabilities			
Interest-bearing bank and other borrowings	21	**808,900**	68,900
Trade payables	22	**680,244**	971,212
Bills payable	22	**29,502**	89,631
Other payables and accruals	23	**1,034,806**	1,517,352
Obligations under finance lease	24	**51,360**	60,000
Income tax payable		**64,284**	47,584
		2,669,096	2,754,679
Total Liabilities		**5,234,084**	5,352,833
Total Equity And Liabilities		**19,645,848**	19,666,693
Net Current Assets		**5,874,305**	5,320,971
Total Assets Less current Liabilities		**16,976,752**	16,912,014
Net Assets		**14,411,764**	14,313,860

Xia Qing Long
Director

Lee Kit Ying
Director

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	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 2017	**4,610,000**	**1,007,237**	**1,010,957**	**55,408**
Profit for the period	-	-	-	-
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	-	-
Appropriation of safety fund	-	-	-	**19,737**
Utilisation of safety fund	-	-	-	**(7,962)**
Final 2016 dividends declared	-	-	-	-
Balance at 30 June 2017 (unaudited)	**4,610,000**	**1,007,237**	**1,010,957**	**67,183**
Balance at 1 January 2016	4,610,000	1,007,237	995,107	40,133
Loss for the period	-	-	-	-
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	-	-
Non-controlling interests arising upon expiry of Put Option to the non-controlling shareholder (note 25)	-	-	-	-
Loss of control over a subsidiary (note 25)	-	-	2,739	-
Appropriation of safety fund	-	-	-	20,390
Utilisation of safety fund	-	-	-	(9,452)
Final 2015 dividends declared	-	-	-	-
Dividends paid and payable to non-controlling interests	-	-	-	-
Balance at 30 June 2016 (unaudited)	4,610,000	1,007,237	997,846	51,071

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 rules and regulations in the People's Republic of China (the "PRC"), 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
6,400,915	**230,500**	**1,624**	**13,316,641**	**997,219**	**14,313,860**
290,159	**-**	**-**	**290,159**	**37,744**	**327,903**
-	**-**	**501**	**501**	**-**	**501**
290,159	**-**	**501**	**290,660**	**37,744**	**328,404**
(19,737)	**-**	**-**	**-**	**-**	**-**
7,962	**-**	**-**	**-**	**-**	**-**
-	**(230,500)**	**-**	**(230,500)**	**-**	**(230,500)**
6,679,299	**-**	**2,125**	**13,376,801**	**1,034,963**	**14,411,764**
6,878,044	368,800	(44,240)	13,855,081	1,026,493	14,881,574
(124,077)	-	-	(124,077)	(17,943)	(142,020)
-	-	46,737	46,737	-	46,737
(124,077)	-	46,737	(77,340)	(17,943)	(95,283)
-	-	-	-	87,253	87,253
(2,739)	-	-	-	(87,253)	(87,253)
(20,390)	-	-	-	-	-
9,452	-	-	-	-	-
-	(368,800)	-	(368,800)	-	(368,800)
-	-	-	-	(8,088)	(8,088)
6,740,290	-	2,497	13,408,941	1,000,462	14,409,403

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	Six months ended	
	30 June 2017 (Unaudited) RMB'000	30 June 2016 (Unaudited) RMB'000
Net cash from operating activities	**606,445**	221,074
Net cash used in investing activities:		
Purchases of property, plant and equipment	**(109,501)**	(326,361)
Dividends received from associates	**-**	250
Net cash outflow on loss of control of a subsidiary	**-**	(1,411)
Withdrawal of time deposits	**-**	26,159
Placement of time deposits	**(497,105)**	(25,683)
Purchase of available-for-sale investment	**(7,895,000)**	(6,630,000)
Disposal of available-for-sale investment	**8,003,021**	6,744,384
Interest received	**4,257**	3,557
Other investing cash flows	**-**	543
	(494,328)	(208,562)
Net cash from financing activities:		
Dividends paid	**(230,500)**	(368,800)
Dividends paid to non-controlling interests	**-**	(2,000)
New bank and other borrowings raised	**990,000**	2,903,302
Repayment of bank and other borrowings	**(250,000)**	(1,353,567)
Borrowing raised from finance lease	**-**	2,000,000
Repayment of obligations under finance lease	**(52,462)**	(1,865,934)
Transaction charge paid for finance lease	**(20,218)**	(6,625)
Interest paid	**(30,948)**	(44,572)
Other financing cash flows	**(692)**	-
	405,180	1,261,804
Net increase in cash and cash equivalents	**517,297**	1,274,316
Cash and cash equivalents at 1 January	**5,698,412**	5,313,907
Effect of foreign exchange rate changes	**(19,240)**	5,717
Cash and cash equivalents at 30 June, represented by bank balances and cash	**6,196,469**	6,593,940

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

1. Corporate information and basis of preparation

China BlueChemical Ltd. (the "Company") was established in the People's Republic of China (the "PRC") and the registered office of the Company is located at No. 1 Zhu Jiang South Street, Dongfang City, Hainan Province, the PRC. 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 Company's ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKSE").

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in the manufacture and sale of urea, methanol, phosphorus fertilisers which include mono-ammonium phosphate ("MAP") and di-ammonium phosphate ("DAP") fertilisers and compound fertiliser.

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 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

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 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS 12	As part of the Annual Improvements to IFRSs 2014-2016 Cycle

Notes to the Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2017

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 port operations and provision of transportation services; trading of fertilisers and chemicals; manufacture and sale of Bulk Blending (the "BB") fertiliserand woven plastic bags.

Segment performance is evaluated based on segment result and is measured consistently with profit before tax in the condensed 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/ (losses), change in fair value of derivative financial instruments, share of losses of joint ventures and associates and income tax expenses, 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 Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2017

3. Operating segment information - continued

	Urea RMB'000	Phosphorus and compound fertiliser RMB'000	Methanol RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Six months ended 30 June 2017 (Unaudited)						
Segment revenue:						
Sales to external customers	**1,790,715**	**1,135,965**	**1,675,174**	**535,241**	**-**	**5,137,095**
Inter-segment sales	**958**	**-**	**-**	**80,595**	**(81,553)**	**-**
Total	**1,791,673**	**1,135,965**	**1,675,174**	**615,836**	**(81,553)**	**5,137,095**
Segment results:						
Segment profit/ (loss) before tax	**63,771**	**(36,221)**	**442,458**	**49,287**	**-**	**519,295**
Interest and unallocated income						**120,866**
Corporate and other unallocated expenses						**(109,438)**
Exchange loss, net						**(15,041)**
Share of losses of joint ventures						**(33,471)**
Share of losses of associates						**(763)**
Profit before tax						**481,448**
Six months ended 30 June 2016 (Unaudited)						
Segment revenue:						
Sales to external customers	1,277,912	863,320	1,169,036	567,299	-	3,877,567
Inter-segment sales	-	-	-	80,706	(80,706)	-
Total	1,277,912	863,320	1,169,036	648,005	(80,706)	3,877,567
Segment results:						
Segment (loss)/ profit before tax	(191,494)	(58,458)	(32,573)	67,895	-	(214,630)
Interest and unallocated income						123,228
Corporate and other unallocated expenses						(114,177)
Exchange loss, net						(11,392)
Share of losses of joint ventures						(609)
Share of losses of associates						(675)
Change in fair value of obligation arising from a put option to a non-controlling shareholder						(1,519)
Change in fair value of derivative financial instrument						(1,689)
Gain recognised on expiry of the Put Option and Call Option						53,822
Gain recognised on loss of control of a subsidiary						6,282
Loss before tax						(161,359)

Notes to the Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2017

4. Revenue and other income

An analysis of revenue and other income is as follows:

	Six months ended	
	30 June 2017 (Unaudited) RMB'000	30 June 2016 (Unaudited) RMB'000
Revenue		
Sale of goods	**4,959,398**	3,688,376
Rendering of services	**177,697**	189,191
	5,137,095	3,877,567
Other income		
Income from sale of other materials	**13,385**	3,236
Income from rendering of other services	**837**	1,176
Gross rental income	**2,737**	4,264
Government grants	**6,815**	6,400
Others	**221**	2,676
	23,995	17,752

5. Other gains and losses

	Six months ended	
	30 June 2017 (Unaudited) RMB'000	30 June 2016 (Unaudited) RMB'000
Gain on maturity of unlisted investment	**110,428**	114,384
Loss on disposal of items of property, plant and equipment	**(525)**	(54)
	109,903	114,330

Notes to the Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2017

6. Finance costs

	Six months ended	
	30 June 2017 (Unaudited) RMB'000	30 June 2016 (Unaudited) RMB'000
Interest on bank and financial institution borrowings	**33,389**	52,011
Financial charges payable under obligations under finance lease	**27,710**	19,648
Total interest expense on financial liabilities not at fair value through profit or loss	**61,099**	71,659

7. Net exchange losses

	Six months ended	
	30 June 2017 (Unaudited) RMB'000	30 June 2016 (Unaudited) RMB'000
Exchange gains	**6,610**	14,739
Exchange losses	**(21,651)**	(26,131)
	(15,041)	(11,392)

Notes to the Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2017

8. Income tax

	Six months ended 30 June 2017 (Unaudited) RMB'000	Six months ended 30 June 2016 (Unaudited) RMB'000
Current tax		
PRC Enterprise Income Tax	**191,804**	26,395
Under/ (over) provision in prior year	**1,408**	(5,230)
	193,212	21,165
Deferred tax	**(39,667)**	(40,504)
	153,545	(19,339)

The tax charge for the period can be reconciled to the profit or loss per the consolidated statement of profit or loss as follows:

	Six months ended 30 June 2017 (Unaudited) RMB'000	Six months ended 30 June 2016 (Unaudited) RMB'000
Profit/ (loss) before tax	**481,448**	(161,359)
Tax at the statutory tax rate of 25%	**120,362**	(40,340)
Income tax on concessionary rate	**(79)**	(7,737)
Under/ (over) provision in respect of prior years	**1,408**	(5,230)
Tax effect of share of losses of joint ventures and associates	**8,558**	321
Tax effect of change in fair value of obligation to a non-controlling shareholder	**-**	380
Tax effect of gain on loss of control of a subsidiary	**-**	(1,571)
Tax effect of tax losses not recognised	**22,031**	37,287
Tax effect of deductible temporary differences not recognised	**2,481**	203
Utilization of deductible temporary differences not recognised	**(214)**	(378)
Others	**(1,002)**	(2,274)
Income tax	**153,545**	(19,339)
The Group's effective income tax rate	**32%**	12%

CNOOC Fudao Limited and Hubei Dayukou Chemical Co., Ltd., subsidiaries of the Company, which were entitled to preferential Enterprise income tax ("EIT") rate of 15% for the three years ended 31 December 2016 after being assessed as high-tech enterprises. The preferential tax rate has expired in the year of 2017 and the two subsidiaries start to apply tax rate of 25% from current period.

Notes to the Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2017

9. Profit/ (loss) for the period

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

	Six months ended	
	30 June 2017 (Unaudited) RMB'000	30 June 2016 (Unaudited) RMB'000
Cost of inventories sold	**4,137,627**	3,605,911
Cost of services provided	**152,788**	128,573
Depreciation of property, plant and equipment	**491,714**	477,639
Amortisation of mining rights	**1,160**	1,246
Amortisation of prepaid lease payments	**7,921**	8,185
Amortisation of intangible assets	**2,995**	3,300
Amortisation of investment properties	**3,112**	-
Write-down of inventories to net realisable value, included in cost of sales	**2,948**	42,158

10. Earnings/ (losses) per share

	Six months ended	
	30 June 2017 (Unaudited) RMB'000	30 June 2016 (Unaudited) RMB'000
Profit/ (loss) for the period attributable to owners of the parent	**290,159**	(124,077)

	Six months ended	
	30 June 2017 '000	30 June 2016 '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 2017 and the six months ended 30 June 2016.

Notes to the Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2017

11. Property, plant and equipment

During the six months ended 30 June 2017, the Group acquired property, plant and equipment including construction in progress with an aggregate cost amounting to approximately RMB26,312,000 (six months ended 30 June 2016: RMB93,842,000). Property, plant and equipment with carrying amount of approximately to RMB1,223,000 (six months ended 30 June 2016: RMB4,155,000) were disposed of during the six months ended 30 June 2017.

12. Prepaid lease payments

The Group did not acquire land use right during the six months ended 30 June 2017 and the six months ended 30 June 2016. There is no disposal of land use right during the six months ended 30 June 2017 and the six months ended 30 June 2016.

As of the date of issuance of the interim financial statements, the land use right certificate held by CNOOC Hualu Shanxi Coal Chemical Co., Ltd. ("CNOOC Hualu") has not been invalidated after CNOOC Hualu was served the relevant seizure notification by the local land bureau and provided full impairment against the carrying amount of the land use right in 2014. In addition, the directors of the Company are of the view that there is no evidence the payables for acquisition of the said land use right amounting to RMB26,339,000 (31 December 2016: RMB26,339,000), presented under "Other long term liabilities" and "Other payables and accruals", are no longer payable.

13. Investment in joint ventures

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Cost of investment in joint ventures	**280,837**	280,837
Share of post-acquisition profits and other comprehensive income, net of dividends received	**(35,865)**	(2,394)
	244,972	278,443

Notes to the Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2017

13. Investment in joint ventures - continued

Particulars of the joint ventures 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
Guizhou Jinlin Chemical Co., Ltd. (貴州錦麟化工有限責任公司)	PRC 12 April 2007	**RMB481,398**	Direct Indirect	**41.26** -	Phosphorus mining and processing manufacture and sales of phosphorus ore and chemical products
Yantai Port Fertiliser Logistics Co., Ltd. (煙台港化肥物流有限公司)	PRC 20 July 2011	**RMB122,500**	Direct Indirect	**27.00** -	Cargo handling, warehousing, packaging and domestic freight forwarding
CBC (Canada) Holding Corp ("CBC (Canada)") (中海化學(加拿大)控股公司)	Canada 28 May 2013	**CAD$24,000**	Direct Indirect	**60.00** -	Investment holding

As at 1 April 2016, the Company lost control and retains joint control over CBC (Canada) as a joint venture of the Group, as detailed in note 25 and as disclosed in the annual consolidated financial statements for the year ended 31 December 2016.

As at 31 March 2017, Western Potash Corporation ("WPC", a listed company on Toronto Stock Exchange ("TSX")), in which CBC (Canada) held 10.1% equity interest, announced that it had completed a corporate reorganisation by way of a court approved plan of arrangement under the Business Corporations Act (British Columbia) (the "Arrangement") with Western Resources Corp. ("WRC"), pursuant to which WRC acquired all of the issued and outstanding common shares of WPC and WPC became a wholly-owned subsidiary of WRC. Under the terms of the Arrangement, former WPC shareholders received WRC's shares on the basis of 0.2 of a WRC common share for each one WPC common share. Upon the completion of the Arrangement, the proportionate ownership interests of the WRC shareholders in WRC were identical to their respective proportionate ownership interests in WPC before giving effect to the Arrangement. On 5 April 2017, WRC became the TSX listed successor company to WPC. WPC's shares were delisted from the TSX and WRC's shares commenced trading simultaneously.

In current period, the Company recognised its share of CBC (Canada)'s losses amounted to RMB31,142,000, based on the management's assessment of recoverable amount of WRC's net assets and CBC (Canada)'s share of 10.1% interest in WRC. The recoverable amount of WRC is determined based on the stock price of WRC using the market approach.

Notes to the Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2017

14. Investment in associates

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Cost of investment in associates	**667,900**	667,900
Share of post-acquisition profits and other comprehensive income, net of dividends received	**(453,859)**	(453,096)
	214,041	214,804

The Group's other receivables with its associates are disclosed in note 17.

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 30 June 2017	31 December 2016	Principal activities
Shanxi Hualu Yangpoquan Coal Mining Co., Ltd. ("Yangpoquan Coal") (Note) (山西華鹿陽坡泉煤礦有限公司)	PRC 3 August 2001	**RMB52,000**	Direct Indirect	**49.00** **-**	49.00 -	Mining and sale of coal
China Basuo Overseas Shipping Agency Co., Ltd. (中國八所外輪代理有限公司)	PRC 24 May 2000	**RMB1,800**	Direct Indirect	**-** **36.56**	- 36.56	Provision of overseas shipping services
United Agricultrual Means of Production (Beijing) Co., Ltd. (聯合惠農農資(北京)有限公司)	PRC 7 June 2016	**RMB100,000**	Direct Indirect	**30.00** **-**	30.00 -	Merchandising

Note: As of the date of issuance of the interim financial statements, China Cinda Asset Management Co., Ltd. ("Cinda"), who took over defaulted outstanding debts payable by Yangpoquan Coal ("the Debts") from Industrial and Commercial Bank of China Limited ("ICBC") in 2015, has not initiated any proceeding to exercise its rights assumed from ICBC. After recognition of impairment against the carrying amount of investment in Yangpoquan Coal in 2014 due to unsuccessful Yangpoquan Coal's assets foreclosures by ICBC, the directors of the Company are of the view that no further impairment indication presents and no further impairment charge is required for the current period.

Notes to the Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2017

15. Deferred tax assets / liabilities

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Deferred tax assets	**885,547**	847,845
Deferred tax liabilities	**(49,042)**	(51,007)
	836,505	796,838

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and preceding interim periods:

	Accelerated tax depreciation RMB'000	Impairment losses RMB'000	Wages and salaries RMB'000	Financial instruments fair value changes RMB'000	Fair value adjustment on acquisition of subsidiaries RMB'000	Unused tax losses RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2016 (Audited)	27,583	525,426	9,281	13,033	(54,937)	102,466	(214)	622,638
(Charge)/ credit to profit or loss	(534)	(1,294)	(947)	(13,033)	(762)	51,730	5,344	40,504
As at 30 June 2016 (Unaudited)	27,049	524,132	8,334	-	(55,699)	154,196	5,130	663,142
(Charge)/ credit to profit or loss	(1,522)	618	7,723	-	4,692	122,430	(245)	133,696
As at 31December 2016 and 1 January 2017 (Audited)	**25,527**	**524,750**	**16,057**	-	**(51,007)**	**276,626**	**4,885**	**796,838**
(Charge)/ credit to profit or loss	**(1,287)**	**(4,019)**	-	-	**1,965**	**39,955**	**3,053**	**39,667**
As at 30 June 2017 (Unaudited)	**24,240**	**520,731**	**16,057**	-	**(49,042)**	**316,581**	**7,938**	**836,505**

As at 30 June 2017, the Group has unused tax losses of RMB1,667,059,000 (31 December 2016: RMB1,419,115,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB1,266,323,000 (31 December 2016: RMB1,106,504,000) of such losses. No deferred tax asset has been recognised in respect of the remaining RMB400,736,000 (31 December 2016: RMB312,611,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of RMB400,736,000 (31 December 2016: RMB312,611,000) that will expire in 5 years.

At the end of the reporting period, the Group has deductible temporary differences of RMB135,463,000 (31 December 2016: RMB126,393,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Notes to the Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2017

16. Trade receivables and bills receivable

Sales of the Group's fertilisers including urea, MAP and DAP are mainly 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 customers are generally on one-month credit, except for some high-credit customers, where payments may be extended.

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Trade receivables	**215,419**	485,951
Bills receivable	**60,751**	109,509
	276,170	595,460

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 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Within six months	**274,616**	593,699
Over six months but within one year	**1,035**	1,160
Over two years	**519**	601
	276,170	595,460

The aged analysis of the trade receivables and bills receivable that are not individually nor collectively considered to be impaired is as follows:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Neither past due nor impaired	**276,052**	595,268
Less than one month past due	**-**	33
One to three months past due	**118**	159
	276,170	595,460

Receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

Notes to the Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2017

16. Trade receivables and bills receivable - continued

Receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, the management is of the opinion that no allowance for doubtful debts is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

As at 30 June 2017, the amounts due from CNOOC, its subsidiaries, and associates, (other than the ultimate holding company collectively referred to as the "CNOOC group companies") included in the above trade receivable balances are in aggregate RMB75,750,000 (31 December 2016: RMB447,532,000). 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 2017, the Group has transferred bills receivable through endorsement to its suppliers to settle its payables amounted to RMB118,122,000 (31 December 2016: RMB183,689,000). As at 30 June 2017, the Group discounted bills receivable with an aggregate carrying amount of RMB39,925,000 to a bank for cash proceeds of RMB39,310,000 (31 December 2016: discounted bills receivable with an aggregate carrying amount of RMB118,017,000 to a bank for cash proceeds of RMB115,196,000). The directors of the Company 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.

Most of 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.

17. Prepayments, deposits and other receivables

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Prepayments	**133,631**	126,961
Prepaid lease payments	**15,204**	15,204
Deposits and other receivables	**97,826**	77,777
Less: allowance for doubtful debts	**(7,624)**	(7,624)
	239,037	212,318

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

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Ultimate holding company	**20**	20
CNOOC group companies	**20,345**	18,357
Associates	**11,906**	10,042
Other related parties	**19**	59
	32,290	28,478

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

Notes to the Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2017

18. Bank balances and cash

The Group's bank balances and cash were denominated in RMB as at 30 June 2017 and 31 December 2016, except for amounts of RMB873,740,000 (31 December 2016: RMB667,435,000) which was translated from US$128,977,000 (31 December 2016: US$96,214,000); RMB1,874,000 (31 December 2016: RMB8,000) which was translated from HK$2,160,000 (31 December 2016: HK$9,000); RMB24,000 (31 December 2016: RMB13,394,000) which was translated from EUR$3,000 (31 December 2016: EUR$1,833,000).

As at 30 June 2017, included in the Group's bank balances and cash were RMB472,372,000 (31 December 2016: RMB216,641,000) 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.

19. 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 2017 (unaudited) and 31 December 2016 (audited)	**4,610,000**	**4,610,000**

20. Proposed dividends

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

During the current interim period, a final and special dividend of RMB0.05 per share in respect of the year ended 31 December 2016 (six months ended 30 June 2016: a final dividend of RMB0.08 per share in total in respect of the year ended 31 December 2015) was declared and paid to the owners of the Company. The amount of dividend declared and paid in the interim period of 2017 amounted to RMB230,500,000 (six months ended 30 June 2016: RMB368,800,000).

The board of directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

Notes to the Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2017

21. Interest-bearing bank and other borrowings

During the six months ended 30 June 2017, the Group obtained new loans denominated in RMB amounting to RMB600,000,000 (six months ended 30 June 2016: RMB1,443,500,000) from banks and RMB390,000,000 (six months ended 30 June 2016: RMB1,065,000,000) from CNOOC Finance, which are repayable by 30 March 2018, bearing interest rate range from 3.70% to 3.92%. In the same period, the Group also obtained new loans denominated in USD Nil (six months ended 30 June 2016: RMB394,802,000) from banks.

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

22. Trade payables and bills payable

The trade payables and bills payable are non-interest-bearing and are normally settled in 30 to 180 days.

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Trade payables	**680,244**	971,212
Bills payable	**29,502**	89,631
	709,746	1,060,843

An aging analysis of trade payables and bills payable of the Group, based on invoice date, is as follows:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Within six months	**645,527**	1,021,041
Over six months but within one year	**36,986**	12,674
Over one year but within two years	**10,984**	12,061
Over two years but within three years	**2,920**	2,002
Over three years	**13,329**	13,065
	709,746	1,060,843

As at 30 June 2017, the amounts due to CNOOC group companies included in the above trade payables and bills payable balances amounted to RMB232,182,000 (31 December 2016: RMB254,646,000).

Notes to the Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2017

23. Other payables and accruals

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Advances from customers	**222,460**	627,067
Accruals	**2,303**	15,641
Accrued payroll	**137,638**	179,255
Other payables	**293,534**	239,214
Dividend payable	**102**	102
Long-term liabilities due within one year	**1,798**	1,798
Interest payable	**3,623**	1,182
Payables to government	**97,603**	97,603
Other tax payables	**37,897**	34,691
Port construction fee payable	**164,656**	164,656
Payables in relation to the construction and purchase of property, plant and equipment	**73,192**	156,143
	1,034,806	1,517,352

As at 30 June 2017, the amounts due to the ultimate holding company, CNOOC group companies and other related parties included in the above, which are unsecured, non-interest bearing and have no fixed repayment terms, can be analysed as follows:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Due to the ultimate holding company	**545**	532
Due to CNOOC group companies	**73,626**	69,878
Due to other related parties	**11,275**	13,029
	85,446	83,439

24. 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. Under the existing sale and leaseback contracts signed in 2016, the lease terms are three years and will be renewed no later than the end of the lease terms. Interest rates are around 2.66% per annum varying based on the benchmark interest rate of the People's Bank of China. 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.

Notes to the Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2017

24. Obligations under finance lease - continued

	Minimum lease payments		Present value of minimum lease payments	
	30/06/2017 RMB'000	31/12/2016 RMB'000	30/06/2017 RMB'000	31/12/2016 RMB'000
Amounts payable under finance leases:				
Due for settlement within 12 months	**88,667**	98,103	**51,360**	60,000
Due for settlement over 12 months	**1,404,058**	1,443,819	**1,366,039**	1,396,166
Less: future finance charges	**75,326**	85,756	**-**	-
Present value of lease obligations	**1,417,399**	1,456,166	**1,417,399**	1,456,166

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

As disclosed both in the annual consolidated financial statements for the years ended 31 December 2015 and 2016, the Company entered into an agreement (the "Agreement") in the year of 2013, with Benewood Holdings Corporation Limited ("Benewood"), a third party to incorporate CBC (Canada). The Company and Benewood invested 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. The Company considered CBC (Canada) as a subsidiary since its incorporation given it has unilateral control through 60% voting rights in CBC (Canada).

The Company had granted a put option (the "Put Option") to Benewood, and Benewood granted a call option (the "Call Option") to the Company pursuant to the terms in the Agreement and subsequent amendments. The Company initially recognised an obligation, arising from the Benewood's right to sell to the Company all of its equity interest in CBC (Canada) for cash at 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. This amount had been recognised as a liability and subsequently measured at its fair valuein the annual consolidated statements of financial position.

The Put Option was forgone without further extension by mutual agreement between Benewood and the Company on 15 March 2016 as disclosed in the annual consolidated financial statements for the year ended 31 December 2016, and as at 1 April 2016, the Company lost its control over CBC (Canada), when Benewood and the Company mutually agreed in writing on 1 April 2016 to establish joint control over CBC (Canada) by requiring unanimous votes in all CBC (Canada)'s resolutions, in return of the surrender of Put Option and Call Option held by Benewood and the Company, respectively.

Hence the carrying amounts of the liability as at 15 March 2016, amounted to RMB87,253,000 was credit to the non-controlling interests and the entire balance of non-controlling interests related to CBC (Canada) was subsequently derecognised on 1 April 2016 to reflect the loss of control over CBC (Canada) as disclosed in the annual consolidated financial statements for the year ended 31 December 2016. During the period ended from 1 January 2016 to 15 March 2016, change in fair value of the liability amounted to RMB1,519,000 was recognised in the prior interim period's consolidated statement of profit or loss.

The Put Option and the Call Option were 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 was approximately RMB52,133,000 as at 1 January 2016 and approximately RMB53,822,000 as at 15 March 2016, which was credited to the profit or loss in the prior interim period upon expiry.

As at 1 April 2016, the Group derecognised the carrying amounts of assets, liabilities and non-controlling interests as well as reclassified to profit or loss the amounts previously recognised in other comprehensive income in relation to CBC (Canada) and recognised at fair value its investment retained in CBC (Canada), with the resulting difference recognised as a gain amounted to RMB6,282,000 to the profit or loss in the prior interim period.

Notes to the Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2017

26. 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 Trade Arbitration Commission issued an announcement to further extend the date of arbitration to 20 October 2017. 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 financial statements.

b. Capital commitments

As at 30 June 2017 and 31 December 2016, the Group had the following capital commitments:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Contracted, but not provided for acquisition of plant and machinery	**81,823**	92,008

c. Operating lease commitments

(i) As lessor

The Group leases certain of its buildings and land use rights under operating lease arrangements with leases negotiated for terms from one year to twenty years to CNOOC group companies and third-party companies.

As at 30 June 2017 and 31 December 2016, the Group had total future minimum lease receivables from CNOOC group companies and third-party companies under non-cancellable operating leases falling due as follows:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Within one year	**1,622**	1,183
In the second to fifth years, inclusive	**5,420**	5,639
After five years	**3,949**	4,963
	10,991	11,785

Notes to the Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2017

26. Commitments and contingent liabilities - continued

c. Operating lease commitments - continued

(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 2017 and 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Within one year	**11,232**	12,706
In the second to fifth years, inclusive	**2,154**	2,213
After five years	**2,120**	2,199
	15,506	17,118

Notes to the Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2017

27. Related party transactions

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

	Six months ended	
	30 June 2017 (Unaudited) RMB'000	30 June 2016 (Unaudited) RMB'000
(A) Included in revenue and other income		
(a) CNOOC group companies		
Sale of goods	**182,910**	73,221
Provision of transportation services	**72**	334
Provision of packaging and assembling services	**40,263**	50,309
Provision of other services	**74**	253
	223,319	124,117
(b) Other related parties		
Sale of goods	**182,155**	157,717
Provision of transportation services	**6,263**	8,047
	188,418	165,764
(B) Included in cost of sales and other expenses		
(a) CNOOC group companies		
Purchase of raw materials	**1,294,563**	1,158,399
Lease of offices	**13,227**	13,319
Labour services	**7,289**	11,824
Network services	**219**	475
Logistics services	**5,033**	968
	1,320,331	1,184,985
(b) Other related parties		
Purchase of raw materials	**4,778**	4,554
Labor services	**3,300**	3,850
	8,078	8,404
(C) Included in loans and finance income/costs		
(a) CNOOC Finance		
Finance income	**1,608**	944
Interest paid to CNOOC Finance	**2,628**	7,669
Fees and charges paid to CNOOC Finance	**695**	534
Loans received from CNOOC Finance	**390,000**	1,065,000
(D) Included in finance leaseback		
(a) CNOOC Leasing		
Finance lease charges	**8,640**	7,136
Interest on finance leaseback	**19,070**	23,299
Borrowing raised from finance leaseback	**-**	2,000,000

Notes to the Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2017

27. Related party transactions - continued

(2) Balances with related parties

Details for following balances are set out in notes 16, 17, 18, 21, 22, 23 and 24 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 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
The ultimate holding company	**20**	20	**545**	532
CNOOC group companies (excluding CNOOC Finance)	**96,095**	465,889	**1,722,949**	1,782,960
Associates	**11,906**	10,042	**-**	-
CNOOC Finance	**-**	-	**258**	-
Other related parties	**19**	59	**11,275**	13,029

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Deposits placed by the Group with CNOOC Finance	**472,372**	216,641

(3) Compensation of key management personnel of the Group

	Six months ended	
	30 June 2017 (Unaudited) RMB'000	30 June 2016 (Unaudited) RMB'000
Short-term employee benefits	**1,317**	1,016
Post-employment benefits	**40**	64
	1,357	1,080

Notes to the Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2017

27. 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 2017 and 31 December 2016 are summarised below:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Cash and cash equivalents	**5,594,347**	5,488,277
Pledged bank deposits	**4,136**	4,136
Time deposits	**497,105**	-
	6,095,588	5,492,413
Short-term bank loans	**603,900**	58,900
Long-term bank loans	**810,000**	810,000

28. Events after the reporting period

There is no material event after the reporting period.

29. Approval of condensed consolidated financial statements

The condensed consolidated financial statements were approved and authorised for issue by the board of directors on 29 August 2017.

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
Joint Company Secretaries	Wu Xiaoxia Ng Sau Mei
Authorized representatives	Xia Qinglong Wu Xiaoxia
Alternate to authorized representatives	Li Xi
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	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	
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Webiste	www.chinabluechem.com.cn
Stock Code	Hong Kong Stock Exchange: 3983