中海石油化学股份有限公司
China BlueChemical Ltd.

(於中華人民共和國註冊成立的股份有限公司)
(a joint stock limited company incorporated in the People's Republic of China with limited liability)

股票代碼 HKSE CODE 3983

中期報告
INTERIM REPORT

中海石油化学股份有限公司

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Contents

Financial Highlights

Selected data of condensed consolidated statement of profit or loss

For the six months ended 30 June 2019
(All amounts expressed in thousands of Renminbi, except for per share data)

Selected data	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Revenue	5,269,002	5,498,224
Cost of sales	(4,242,289)	(4,162,234)
Gross profit	1,026,713	1,335,990
Other income, other gains and losses	92,186	265,692
Selling and distribution costs	(191,404)	(205,643)
Administrative expenses	(198,168)	(190,647)
Other expenses	(15,555)	(16,072)
Change in fair value of financial assets at fair value through profit or loss	37,106	-
Finance income	118,203	5,962
Finance costs	(45,563)	(49,994)
Net exchange losses	(2,652)	(1,151)
Share of profits/(losses) of joint ventures	442	(35)
Share of (losses)/profits of associates	(922)	433
Profit before income tax	820,386	1,144,535
Income tax expenses	(222,997)	(293,734)
Profit for the period	597,389	850,801
Profit for the period attributable to:		
Owners of the Company	548,708	752,353
Non-controlling interests	48,681	98,448
	597,389	850,801
Earnings per share attributable to ordinary owners of the Company		
- Basic for the period (RMB)	0.12	0.16

Selected data of condensed consolidated statement of financial position

As at 30 June 2019
(All amounts expressed in thousands of Renminbi)

Selected data	30 June 2019	31 December 2018
	(Unaudited)	(Audited)
Assets		
Non-current assets	8,970,223	9,207,819
Current assets	11,149,861	10,741,389
Total assets	20,020,084	19,949,208
Equity and liabilities		
Total equity	14,872,506	15,127,638
Non-current liabilities	1,025,601	1,089,407
Current liabilities	4,121,977	3,732,163
Total equity and liabilities	20,020,084	19,949,208

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 (%)		
		2019	2018	Change %	2019	2018	Change
Chemical Fertilisers							
Urea	Fudao Phase I	**270,606**	194,654	39.0	**104.1**	74.9	29.2
	Fudao Phase II	**390,696**	421,979	(7.4)	**97.7**	105.5	(7.8)
	CNOOC Tianye	**231,393**	210,122	10.1	**89.0**	80.8	8.2
	CNOOC Huahe	**323,990**	321,205	0.9	**124.6**	123.5	1.1
	Group total	**1,216,685**	1,147,960	6.0	**103.1**	97.3	5.8
Phosphate Fertilisers and Compound Fertilisers	DYK MAP	**22,873**	25,147	(9.0)	**30.5**	33.5	(3.0)
	DYK DAP Phase I (Note 1)	**127,884**	167,341	(23.6)	**73.1**	95.6	(22.5)
	DYK DAP Phase II	**273,600**	259,608	5.4	**109.4**	103.8	5.6
	Group total	**424,357**	452,096	(6.1)	**84.9**	90.4	(5.5)
Chemical Products							
Methanol	Hainan Phase I	**275,733**	289,959	(4.9)	**91.9**	96.7	(4.8)
	Hainan Phase II	**385,329**	347,725	10.8	**96.3**	86.9	9.4
	CNOOC Tianye	**84,777**	80,662	5.1	**84.8**	80.7	4.1
	Group total	**745,839**	718,346	3.8	**93.2**	89.8	3.4
POM	CNOOC Tianye	**9,903**	-	-	**99.0**	-	-
	Group total	**9,903**	-	-	**99.0**	-	-

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

		For the six months ended 30 June		
		2019	2018	Change %
Chemical Fertilisers				
Urea	Fudao Phase I	**256,187**	180,506	41.9
	Fudao Phase II	**387,998**	412,973	(6.0)
	CNOOC Tianye	**216,565**	238,915	(9.4)
	CNOOC Huahe	**310,277**	342,071	(9.3)
	Group total	**1,171,027**	1,174,465	(0.3)
Phosphate Fertilisers and Compound Fertilisers	DYK MAP	**15,500**	14,838	4.5
	DYK DAP Phase I (Note 1)	**126,527**	140,476	(9.9)
	DYK DAP Phase II	**249,466**	267,408	(6.7)
	Group total	**391,493**	422,722	(7.4)
Chemical Products				
Methanol	Hainan Phase I	**290,829**	292,031	(0.4)
	Hainan Phase II	**385,746**	337,826	14.2
	CNOOC Tianye	**67,254**	73,683	(8.7)
	Group total	**743,829**	703,540	5.7
POM	CNOOC Tianye	**9,566**	-	-
	Group total	**9,566**	-	-

Note 1: In the first half of 2019, the DYK DAP Phase I Plant produced 5,588 tonnes of DAP and 122,296 tonnes of compound fertilisers, totaling at 127,884 tonnes, and sold 13,195 tonnes of DAP and 113,332 tonnes of compound fertilisers, totaling at 126,527 tonnes. In the first half of 2018, the DYK DAP Phase I Plant produced 50,578 tonnes of DAP and 116,763 tonnes of compound fertilisers, totaling at 167,341 tonnes, and sold 42,487 tonnes of DAP and 97,989 tonnes of compound fertilisers, totaling at 140,476 tonnes.

CEO's Report

Dear shareholders,

In the first half of 2019, the major plants of the Company kept functioning smoothly; the first simultaneous overhaul of four plants of CNOOC Fudao has been successfully completed; we continued to optimise our product structure, creating new record highs for the sales of compound fertilisers and value-added fertilisers for the same period. During the reporting period, the Company has realised a revenue of RMB5,269 million, and recorded a profit attributable to owners of the Company of RMB549 million.

The Company has been consistently upholding the green and sustainable development philosophy. For the eighth year in a row, the Company was awarded the "Benchmark Enterprise of Leading Energy Efficiency" of the ammonia and methanol industry by China Petroleum and Chemical Industry Federation. We were also awarded "Advanced Energy-Saving Enterprise in the Ammonia and Methanol Industry for 2018" by China Nitrogen Fertilizer Industry Association.

Review on the First Half of the Year

During the reporting period, the Company enhanced refined management of production, and the first simultaneous overhaul of four plants of CNOOC Fudao has been successfully completed. The chemical fertiliser and methanol plants of CNOOC Tianye both kept long-term running for 100 days; the fertiliser plant of CNOOC Huahe has run for 183 consecutive days, representing a new record high of its longest operation cycle. The Company recorded a urea production volume of 1.217 million tonnes for the first half of the year; output of methanol amounted to 746,000 tonnes while the amount of compound fertilisers hit a new historical high of 122,000 tonnes.

In the first half of the year, the Company sold 1.171 million tonnes of urea, 744,000 tonnes of methanol, and 391,000 tonnes of phosphate fertilisers and compound fertilisers. With significant achievement in products structure adjustment, the sales volume of compound fertilisers amounted to 113,000 tonnes, up by 15.66% as compared with the same period of last year. The profit of the Company was largely affected by the significant decline in the price of methanol during the first half of the year as compared with the same period of last year.

The Company have intensified our efforts on cost reduction, quality improvement and efficiency enhancement. Through product structure transformation and upgrading, operation mode optimisation, etc., DYK Chemical achieved a 17% decrease in comprehensive energy consumption and an 18% decrease in carbon dioxide emissions as compared with the same period of last year; CNOOC Huahe's comprehensive energy consumption per tonne of ammonia fell by 2.6% as compared with the same period. CNOOC Tianye successfully resumed the operation of the line C of its POM plant.

With respect to quality control, the Company's chemical fertiliser quality traceability system project has gone live for trial operation in CNOOC Fudao and DYK Chemical, leading to traceability of the sources of chemical fertiliser products, prevention of risks and accountability.

Outlook for the Second Half of 2019

Looking ahead to the second half of the year, domestic demand for chemical fertilisers will enter into the off-season. The fully-marketised operational environment and the upgrade of environmental protection standards will further facilitate the consolidation of the chemical fertiliser industry in the PRC. The domestic olefin demand will increase to some extent, but the methanol market will continue to stay in a downturn, while with the hope for a weak recovery.

In the second half of the year, we will continue to endeavor to coordinate the stable supply of natural gas. Persistent efforts will be made to strengthen and enhance HSE and refined production management in an effort to achieve safe and stable operation of each production unit. We will also bolster our operating capacity and fully exploit the coordinating role of the marketing company. To further optimise our product structure, we will increase the production and sales proportions of compound fertilisers and value-added fertilisers. Besides, we will continue to promote energy conservation and consumption reduction, complete a survey of online energy consumption monitoring system and enhance its implementation. We will also continue the feasibility studies of producing high-end chemical products using natural gas in Hainan, and pay close attention to domestic and overseas development opportunities which are in line with the Company's strategies.

Wang Weimin

CEO & President

Management Discussion and Analysis

Sector Review

Chemical fertiliser industry

In 2019, the PRC government initiated to ensure the effective supply of important agricultural products based on the domestic market. The PRC government proposed to consider grain rice and wheat as must-keep varieties, stabilise the corn production, make sure the basic self-sufficiency of grain and the absolute safety of grain rations, implement the "Soybean Revitalization Plan", and expand the planting area by multiple means.

Since January 1, 2019, the export tariff of NPK compound fertiliser in China has been adjusted from RMB100 per tonne by volume to zero, and since then, the export tariff of all fertiliser products has been adjusted to zero. The PRC government has lowered the value-added tax rate for goods, such as chemical fertilisers, from 10% to 9% since April 1, 2019.

(I) Urea

In the first half of 2019, the operating rate of domestic urea plants maintained between 50% and 73%, slightly higher than that of the same period of last year, and the average daily output was between 115,000 and 161,000 tonnes. From January to June, China's total urea production recorded 27.64 million tonnes (in kind), representing an increase of 2.6% compared with the same period of last year. From January to June 2019, the import volume of urea recorded approximately 104,300 tonnes, representing a decrease of 24.8% as compared with the same period of last year; and the accumulative export volume of urea recorded around 1.76 million tonnes, representing an increase of 191.9% as compared with the same period of last year.

In the first half of 2019, the overall market showed a trend of ascent before decline. From January to March, domestic urea market fell all the way in fluctuation, with the average price dropping from RMB1,900 to RMB1,850. With the production limitation of some enterprises and the sharply increased export volume, domestic urea market price soared all the way from mid-March to mid-April, and the mainstream factory price exceeded RMB2,000 per tonne. But with the improved operating rate, increased domestic supply and weakened demand, the market price fell all the way from May, and the national average price fell below RMB1,800 per tonne by the end of June.

(II) Phosphate fertilisers

In the first half of 2019, the domestic ammonium phosphate production volume recorded approximately 13.80 million tonnes, representing a decrease of around 1.5% as compared with the same period of last year. Due to the lack of domestic market demand for DAP in spring, enterprises took the initiative to export DAP. In the first half of the year, the export volume of DAP recorded 2.75 million tonnes, and increased by 10% as compared with the same period of last year.

When the spring market was activated in the first quarter this year, the price of DAP was at a relatively high level. But due to the weak acceptance of downstream industries, low agricultural product price and channel fund shortage, the market suffered a lack of demand and the price went down continuously. In the second quarter, the domestic market entered into an off-season with less market turnover. Under production and sales pressure, manufacturers were forced to settle the goods at ports and take the initiative to export. The domestic price dropped to RMB2,400 per tonne, with a decrease margin exceeding RMB300 per tonne. Different from last year, the South Asian market in this year suffered from high inventory and low demand, and with the large export volume of China's DAP in the first quarter and the impact of the goods from Saudi Arabia and Africa, the export price of DAP continued to fell.

Methanol

In the first half of 2019, the domestic methanol production recorded approximately 23.70 million tonnes, representing an increase of approximately 2.78% as compared with the same period of last year; and the import volume recorded approximately 4.59 million tonnes, representing an increase of 23.76% as compared with the same period of last year.

In the first half of 2019, the domestic methanol market showed an oversupply pattern, with slow domestic production growth and significant increased import volume. Methanol-to-olefins was still the primary domestic demand, but as affected by environmental and safety events, the traditional downstream industries suffered a relatively insufficient demand. With relatively adequate supply but insufficient demand to support, the overall market fluctuated within a narrow range. In the first quarter, after a sharp fall at the beginning of the year and affected by the supply reduction of domestic plants in spring maintenance, the price rebounded at a low level, with the price in South China market ranging from RMB2,385 to RMB2,610 per tonne; in the second quarter, due to the adequate supply and pressured demand, the domestic price rose and then fell, with the price in South China market ranging from RMB2,260 to RMB2,540 per tonne, and the market price dropped towards the lowest again.

The prices in the first half of the year have been approaching to or even lower than the complete cost of most enterprises in the industry many times, and the upstream and downstream of methanol generally suffered weak profitability. The industry was under a relatively tough overall business situation.

POM

From January to June 2019, the domestic POM production recorded approximately 155,900 tonnes, representing an increase of approximately 19.56% as compared with the same period of last year; the import volume of POM ranged from approximately 17,000 to 27,000 tonnes per month and the export volume approximately 1,500 to 3,000 tonnes per month, both of which recorded a slight decrease as compared to 2018.

In the first half of the year, the upstream methanol market price continued to go down, the operating rate of downstream market fell, the overall demand dropped, and the POM market tumbled.

Business Review

During the reporting period, the Company maintained safe and stable operation of major plants through reinforcing the refined management of the production process. CNOOC Fudao successfully completed the first simultaneous overhaul of four plants since they were put into operation. CNOOC Tianye realized 100-day long-term operation of fertiliser and methanol plants since the successful transit of natural gas on February 1, 2019. CNOOC Huahe has undergone continuous operation of its fertiliser plants for 183 days, breaking its own record of long-term operation. In the first half of the year, the Company produced 1,217,000 tonnes of urea; 746,000 tonnes of methanol; 122,000 tonnes of compound fertiliser, hitting a record high; and 9,903 tonnes of POM.

In the first half of the year, facing the unfavourable market situation of sharp decline of chemical product prices, the Company used its marketing company as the platform to exploit the overall planning strengths of its products, and marketing, as a second engine, played an increasingly significant role. The Company sold 1,171,000 tonnes of urea, 744,000 tonnes of methanol, 391,000 tonnes of phosphate fertiliser and compound fertiliser, and 9,566 tonnes of POM, and the sales volume of compound fertiliser recorded 113,000 tonnes, an increase of 15.66% as compared with the same period of last year, with significant achievement in products structure adjustment. In the first half of the year, the Company exported approximately 157,000 tonnes of urea and 18,000 tonnes of DAP.

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					
	2019			2018		
	Production volume *(tonnes)*	Sales volume *(tonnes)*	Utilisation rate *(%)*	Production volume *(tonnes)*	Sales volume *(tonnes)*	Utilisation rate *(%)*
Chemical fertilisers						
Urea						
Fudao Phase I	**270,606**	**256,187**	**104.1**	194,654	180,506	74.9
Fudao Phase II	**390,696**	**387,998**	**97.7**	421,979	412,973	105.5
CNOOC Tianye	**231,393**	**216,565**	**89.0**	210,122	238,915	80.8
CNOOC Huahe	**323,990**	**310,277**	**124.6**	321,205	342,071	123.5
Group total	**1,216,685**	**1,171,027**	**103.1**	1,147,960	1,174,465	97.3
Phosphate fertilisers and Compound fertilisers						
DYK MAP	**22,873**	**15,500**	**30.5**	25,147	14,838	33.5
DYK DAP Phase I (Note 1)	**127,884**	**126,527**	**73.1**	167,341	140,476	95.6
DYK DAP Phase II	**273,600**	**249,466**	**109.4**	259,608	267,408	103.8
Group total	**424,357**	**391,493**	**84.9**	452,096	422,722	90.4
Chemical products						
Methanol						
Hainan Phase I	**275,733**	**290,829**	**91.9**	289,959	292,031	96.7
Hainan Phase II	**385,329**	**385,746**	**96.3**	347,725	337,826	86.9
CNOOC Tianye	**84,777**	**67,254**	**84.8**	80,662	73,683	80.7
Group total	**745,839**	**743,829**	**93.2**	718,346	703,540	89.8
POM						
CNOOC Tianye	**9,903**	**9,566**	**99.0**	-	-	-
Group total	**9,903**	**9,566**	**99.0**	-	-	-

Note 1: In the first half of 2019, the DYK DAP Phase I Plant produced 5,588 tonnes of DAP and 122,296 tonnes of compound fertilisers, totaling at 127,884 tonnes, and sold 13,195 tonnes of DAP and 113,332 tonnes of compound fertilisers, totaling at 126,527 tonnes.In the first half of 2018, the DYK DAP Phase I Plant produced 50,578 tonnes of DAP and 116,763 tonnes of compound fertilisers, totaling at 167,341 tonnes, and sold 42,487 tonnes of DAP and 97,989 tonnes of compound fertilisers, totaling at 140,476 tonnes.

BB fertilisers

In the first half of 2019, the Group produced a total of 18,977 tonnes of BB fertilisers with a sales volume of 19,607 tonnes.

Financial Review

Revenue and gross profit

During the reporting period, the Group's revenue was RMB5,269.0 million, representing a decrease of RMB229.2 million, or 4.2%, from RMB5,498.2 million during the same period of 2018.

During the reporting period, the Group's external revenue from urea was RMB2,084.8 million, representing an increase of RMB3.0 million, or 0.1%, from RMB2,081.8 million during the same period of 2018, which was primarily attributable to (1) a decrease in the sales volume of urea by 3,438 tonnes, resulting in a decrease in revenue by RMB6.1 million; and (2) an increase in revenue by RMB9.1 million resulted from an increase in the selling price of urea by RMB7.8 per tonne.

During the reporting period, the Group's external revenue from phosphate fertilisers and compound fertilisers was RMB984.0 million, representing a decrease of RMB78.0 million, or 7.4%, from RMB1,062.0 million during the same period of 2018, which was primarily attributable to (1) a decrease in the sales volume of phosphate fertilisers and compound fertilisers by 31,232 tonnes, resulting in a decrease in revenue by RMB78.4 million; and (2) an increase in revenue by RMB0.4 million resulted from an increase in the selling price of phosphate fertilisers and compound fertilisers by RMB1.0 per tonne.

During the reporting period, the Group's external revenue from methanol was RMB1,495.1 million, representing a decrease of RMB317.8 million, or 17.5%, from RMB1,812.9 million during the same period of 2018, which was primarily attributable to (1) an increase in the sales volume of methanol by 40,289 tonnes, resulting in an increase in revenue by RMB103.8 million; and (2) a decrease in revenue by RMB421.6 million resulted from a decrease in the selling price of methanol by RMB566.8 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 POM, BB fertilisers and woven plastic bags) increased by RMB163.6 million, or 30.2%, to RMB705.1 million as compared to RMB541.5 million during the same period of 2018, which was primarily attributable to (1) no revenue from POM was recorded by CNOOC Tianye in the first half of 2018, while the revenue for the reporting period amounted to RMB82.7 million; (2) an increase of income of trading segment by RMB81.8 million from the previous year; (3) an increase in revenue by RMB6.7 million due to the turnkey business in shipping transportation of Hainan Basuo Port Limited; (4) a decrease by RMB5.7 million in revenue from BB fertilisers as compared with the same period of last year; and (5) a decrease by RMB1.9 million in revenue from other segments other than the above (mainly comprising of liquid ammonia and polyoxymethylene).

The Group's gross profit during the reporting period was RMB1,026.7 million, representing a decrease of RMB309.3 million, or 23.2%, from RMB1,336.0 million during the same period of 2018, which was primarily attributable to (1) as compared with the same period of last year, a significant decrease in the selling prices of methanol, our major product, where its gross profit recorded a decrease of RMB325.5 million; and (2) the planned overhaul of Fudao Phase I Urea Plant and DYK DAP Phase II Plant in the previous year, resulting in an increase in overhaul cost and suspension loss, while no such expense was incurred during the year.

Other income, other gains and losses

The Group's other income as well as other gains and losses for the reporting period amounted to RMB92.2 million, representing a decrease by RMB173.5 million, or 65.3%, from RMB265.7 million for the same period of 2018. Such income during the reporting period was primarily attributable to (1) investment gains from bank of RMB6.6 million; (2) the receipt of subsidies of RMB49.9 million for "Three Supplies and One Property"; (3) the receipt of specific governance subsidies for enterprises in difficulties of RMB9.9 million by CNOOC Tianye; and (4) profits of RMB14.8 million from other segments. During the reporting period, other income as well as other gains and losses decreased as compared with the same period of last year mainly due to: (1) The main bank investment for the current period was time deposits which was different from the wealth management products of the same period in last year. The interest on the wealth management products is recognised under other gains and losses when it was received, while the interest on the time deposit is presented recognised under finance income, which resulting in a decrease of RMB155.6 million in other gains and losses; (2) In the same period of last year, the Group disposed the equity of China BlueChemical Yichang Mining Ltd. and obtained a gain of RMB63.1 million, while there was no such gain in this year; (3) the receipt of subsidies of RMB49.9 million for "Three Supplies and One Property"; and (4) other profits decreased by RMB4.7 million.

Selling and distribution costs

The Group's selling and distribution costs for the reporting period amounted to RMB191.4 million, representing a decrease of RMB14.2 million, or 6.9%, from RMB205.6 million for the same period of 2018. The decrease was primarily attributable to as compared with the same period of last year, a decrease of advertising and exhibition fees of RMB4.1 million and a decrease in miscellaneous transportation port fees of RMB6.9 million during the reporting period.

Administrative expenses

The Group's administrative expenses for the reporting period amounted to RMB198.2 million, representing an increase of RMB7.6 million, or 4.0%, from RMB190.6 million for the same period of 2018. The increase was primarily attributable to (1) an increase in taxation by RMB6.5 million during the reporting period; (2) an increase in salary costs by RMB6.5 million; and (3) a decrease of other expenses as compared with the same period of last year, such as depreciation and amortisation.

Other expenses

The Group's other expenses for the reporting period amounted to RMB15.6 million, representing a decrease of RMB0.5 million, or 3.1%, from RMB16.1 million for the same period of 2018. The decrease was primarily due to (1) a decrease of "Three Supplies and One Property" costs of RMB7.5 million; (2) an increase in donation expenses of RMB5.6 million; (3) an increase of bank handling fees and charges of RMB2.7 million; and (4) a decrease in other costs by RMB1.3 million.

Finance income and finance costs

The Group's finance income for the reporting period increased by RMB112.2 million to RMB118.2 million from RMB6.0 million for the same period of 2018, which was primarily attributable to the finance income from the new large-amount deposit slip business of the Group amounted to RMB107.6 million during the reporting period.

The Group's finance costs for the reporting period amounted to RMB45.6 million, representing a decrease by RMB4.4 million from RMB50.0 million for the same period of 2018. The decrease was primarily attributable to a decrease in finance costs of CNOOC Huahe and Hubei Dayukou due to the decrease in external finance fund.

During the reporting period, the Group has a good financial resources, mainly including bank borrowings and financing other financial institution.

Net exchange losses

During the reporting period, the Group recorded net exchange losses of RMB2.7 million, representing an increase of RMB1.5 million compared with net exchange losses of RMB1.2 million for the same period of 2018, which was primarily attributable to the exchange losses from the Company's operation and transactions due to fluctuations in exchange rates.

Share of profits/losses of associates and joint ventures

The Group's share of losses of associates and joint ventures for the reporting period amounted to RMB0.5 million, representing an increase of RMB0.9 million in losses from the share of profits of associates and joint ventures of RMB0.4 million for 2018, which was primarily due to the recognition of investment loss of RMB1.2 million for the associate United Wealthfert Co., Ltd. (聯合惠農農資(北京)有限公司) during the reporting period.

Income tax expenses

The Group's income tax expenses for the reporting period were RMB223.0 million, representing a decrease of RMB70.7 million from RMB293.7 million in the same period of 2018. The decrease was primarily due to (1) a decrease in current income tax expenses by RMB79.5 million arising from decrease in profits; (2) a decrease in current income tax adjustment of RMB8.3 million from the previous period; and (3) an increase in deferred taxes by RMB17.0 million resulted from the impairment or losses for previous year.

Net profit for the period

The Group's profit after tax for the reporting period was RMB597.4 million, representing a decrease by RMB253.4 million, from the net profit of RMB850.8 million in the same period of 2018.

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 2019. During the reporting period, the Company distributed the dividend amounted to RMB691.5 million in cash for 2018.

Significant investment

During the reporting period, the Group had no significant investment.

Significant acquisition and disposal of subsidiaries, joint ventures and associates

During the reporting period, the Group had no significant acquisition and disposal.

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 RMB121.1 million.

Pledge of assets

As at 30 June 2019, 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 according to the change of economic conditions. To maintain or realign our capital structure, the Group may incur new debts or issue new shares. As at 30 June 2019, the Group's total interest-bearing bank borrowings amounted to RMB2,575 million, among which RMB300 million were bearing interests at fixed rate and the remaining borrowings were bearing interests at floating rate. The gearing ratio of the Group as at 30 June 2019 (calculated as interest-bearing liabilities divided by the sum of total equity and interest-bearing liabilities) was 14.8%. During the reporting period, debts and obligations not repaid and performed when due in accordance with the relevant contractual terms.

Cash and cash equivalents

As at the beginning of the reporting period, the Group's cash and cash equivalents were RMB3,400.0 million. For the reporting period, the net cash inflow from operating activities was RMB504.5 million, net cash outflow from investing activities was RMB1,503.9 million, net cash outflow from financing activities was RMB428.5 million, and the decreasing effect caused by the exchange movement on cash and cash equivalents was RMB1.6 million. As at 30 June 2019, the Group's cash and cash equivalents were RMB1,970.6 million with the main currency of RMB. 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 2019, the Group had 4,775 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 based on their positions, performance and capability.

As at 30 June 2019, during the reporting period, the Company held training courses with a total of 41,658 enrolments and 136,980 training hours strictly following its annual training plan.

During the reporting period, the Company held 826 safety training courses at team, workshop and Company level for employees at all tiers, including contractors, with a total of 19,896 enrolments and 572,193 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), fluctuations in fuels (mainly natural gas and coal) and energy costs, as well as fluctuations in interest rates and exchange rates.

Commodity price risk

The Group is also exposed to commodity price risk 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 RMB and secondarily in USD. During the reporting period, the RMB to USD exchange rate ranged between 6.6850 and 6.8994. Fluctuation in the exchange rate of RMB to USD may affect our sales revenue from export of products, as well as import of our equipment and raw materials.

Inflation and currency risk

According to the statistics of National Bureau of Statistics of China, the consumer price index of the PRC increased by 2.2% 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 2019, the Group had no subsequent events or contingent liabilities.

Material litigation and arbitration

As at 30 June 2019, the Company had no material litigation or arbitration.

Sector Outlook

In the second half of 2019, domestic demand for chemical fertilisers will enter into the off-season. The fully-marketised operational environment and the upgrade of environmental protection standards will facilitate further consolidation of the chemical fertiliser industry in the PRC. In the second half of the year, China's urea market may fall and then rise, the supply-demand contradiction in DAP will be alleviated to some extent, and the market may be stabilized or rebound slightly.

The methanol-to-olefin and methanol fuel markets will continue to enjoy a great margin to grow, being the main driving forces for methanol demand. In the second half of the year, the domestic olefin demand will increase to some extent, while the methanol market will continue to stay in a downturn, but with the hope for a weak recovery. As affected by the trade war between China and the US, environmental protection and supervision policies, and the slow follow-up of terminal demand, the POM market may run in a weak and stable way.

Our Key Tasks in the second half of 2019

1. To continuously coordinate the stable supply of natural gas;
2. To persistently strengthen and enhance HSE and refined production management, in an effort to achieve safe and stable operation of each production unit;
3. To improve the management ability, fully exploit the coordinating role of the marketing company, and well carry out the autumn selling and winter inventory selling of fertiliser;
4. To continue to optimise the product structure by increasing the production and sales proportions of NPK and value-added fertilisers;
5. To continuously promote energy conservation and consumption reduction, and complete the survey of online energy consumption monitoring system and enhance its implementation;
6. To continue the feasibility studies of producing high value-added chemical products using natural gas in Hainan in tandem with the development of the offshore natural gas field in south of Hainan; and
7. To continuously pay attention to domestic and overseas development opportunities which are in line with the Company's development strategies.

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 2019. The Group's unaudited interim results for the six months ended 30 June 2019 have been reviewed independently by the Company's external auditor, Messrs. BDO Limited 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. BDO Limited 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 2019, 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

During the first half of 2019, there is no changes in the information of Directors, Supervisors and chief executive that need to be disclosed in accordance to Rule 13.51B(1) of the Listing Rules.

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 2019, 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 2019, 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)**
Hermes Investment Management Ltd	Investment manager	**230,920,000 (L)**	**H Shares**	**13.04 (L)**	**5.01 (L)**
Commonwealth Bank of Australia (Note 2)	Interests in controlled corporation	**228,962,000 (L)**	**H Shares**	**12.93 (L)**	**4.97 (L)**
Hermes Investment Funds PLC	Beneficial owner	**143,333,345 (L)**	**H Shares**	**8.09 (L)**	**3.11 (L)**
Invesco Asset Management Limited	Investment manager	**92,894,000 (L)**	**H Shares**	**5.24 (L)**	**2.02 (L)**
Edgbaston Investment Partners LLP	Investment manager	**91,794,000 (L)**	**H Shares**	**5.18 (L)**	**1.99 (L)**
Citigroup Inc. (Note 3)	Approved lending agent	**90,172,838 (L)** **306,000 (S)** **88,542,723 (P)**	**H Shares**	**5.09 (L)** **0.01 (S)** **4.99 (P)**	**1.96 (L)** **0.01 (S)** **1.92 (P)**

Notes: The letter (L) denotes long position, the letter (S) denotes short position and the letter (P) denotes lending pool.

(1) Mr. Meng Jun, a non-executive Director, is also the general manager of the Finance and Assets department of CNOOC. Mr. Guo Xinjun, a non-executive Director, is also the deputy general manager of the Strategy and Planning department of CNOOC.

(2) Commonwealth Bank of Australia indirectly holds these shares through Colonial Holding Company Limited, Commonwealth Insurance Holding Limited, Colonial First State Group Ltd, First State Investments (UK Holdings) Limited, First State Investments Managers (Asia) Limited, First State Investments (Hong Kong) Ltd, SI Holdings Limited, First State Investment Management (UK) Limited and First State Investments International Limited.

(3) Citigroup Inc., as the approved lending agent, indirectly holds these shares through its controlled corporations, namely Citicorp LLC, Citibank, N.A., Citigroup Global Markets Holdings Inc., Citigroup Financial Products Inc., Citigroup Global Markets Holdings Bahamas Limited and Citigroup Global Markets Limited.

Save as disclosed above, to the best knowledge of any of the Directors and chief executives of the Company, as at 30 June 2019, 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 2019, 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 2019, 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, except that the associate of Ms. Liu Lijie, a Supervisor of the Company, held 80,000 H shares of the Company.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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To the Board of Directors of China Bluechemical Ltd.
(incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim 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 50, which comprise the condensed consolidated statement of financial position as of 30 June 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six–month period then ended, and a summary of significant accounting policies and other explanatory notes (the "**interim condensed consolidated financial statements**"). 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**") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim 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 interim 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

BDO Limited
Certified Public Accountants

Amy Yau Shuk Yuen
Practising Certificate no. P06095

Hong Kong
Hong Kong, 28 August 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Notes	Six months ended 30 June 2019 RMB'000 (Unaudited)	Six months ended 30 June 2018 RMB'000 (Unaudited)
Revenue	4	**5,269,002**	5,498,224
Cost of sales		**(4,242,289)**	(4,162,234)
Gross profit		**1,026,713**	1,335,990
Other income	4	**88,104**	43,139
Other gains and losses	5	**4,082**	222,553
Selling and distribution costs		**(191,404)**	(205,643)
Administrative expenses		**(198,168)**	(190,647)
Other expenses		**(15,555)**	(16,072)
Change in fair value of financial assets at fair value through profit or loss		**37,106**	-
Finance income		**118,203**	5,962
Finance costs	6	**(45,563)**	(49,994)
Net exchange losses	7	**(2,652)**	(1,151)
Share of profits/(losses) of joint ventures		**442**	(35)
Share of (losses)/profits of associates		**(922)**	433
Profit before income tax	8	**820,386**	1,144,535
Income tax expenses	9	**(222,997)**	(293,734)
Profit for the period		**597,389**	850,801
Other comprehensive income for the period, net of tax			
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**130**	(2,423)
Share of other comprehensive income of joint ventures		**1,660**	-
Share of other comprehensive income of associates		**2**	-
Other comprehensive income for the period		**1,792**	(2,423)
Total comprehensive income for the period		**599,181**	848,378

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - Continued

For the six months ended 30 June 2019

	Notes	Six months ended 30 June 2019 RMB'000 (Unaudited)	Six months ended 30 June 2018 RMB'000 (Unaudited)
Profit attributable to:			
Owners of the Company		**548,708**	752,353
Non–controlling interests		**48,681**	98,448
		597,389	850,801
Total comprehensive income attributable to:			
Owners of the Company		**550,500**	749,930
Non–controlling interests		**48,681**	98,448
		599,181	848,378
Earnings per share attributable to owners of the Company			
- Basic for the period (RMB per share)	10	**0.12**	0.16

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Notes	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
ASSETS			
NON–CURRENT ASSETS			
Property, plant and equipment	11	6,877,769	7,100,978
Mining rights		134,767	135,593
Prepaid lease payments	12	579,225	573,582
Investment properties		106,223	110,053
Intangible assets		29,245	33,282
Investment in joint ventures	13	229,383	227,281
Investment in associates	14	218,838	219,758
Financial assets at fair value through other comprehensive income		600	600
Deferred tax assets	15	794,173	806,692
		8,970,223	9,207,819
CURRENT ASSETS			
Inventories		1,362,099	1,286,322
Trade receivables	16	96,781	41,357
Bills receivable	17	152,314	113,949
Contract assets		41,586	16,116
Prepayment, deposits and other receivables	18	321,036	323,819
Financial assets at fair value through profit or loss	19	1,637,106	-
VAT recoverable		260,197	248,982
Pledged bank deposits		50,073	50,003
Time deposits with original maturity over three months		5,158,118	5,260,802
Cash and cash equivalents	20	1,970,551	3,400,039
		11,049,861	10,741,389
TOTAL ASSETS		20,020,084	19,949,208
EQUITY			
CAPITAL AND RESERVES			
Issued capital	21	4,610,000	4,610,000
Reserves		9,459,682	8,909,182
Proposed dividends	22	-	691,500
Equity attributable to owners of the Company		14,069,682	14,210,682
Non–controlling interests		802,824	916,956
TOTAL EQUITY		14,872,506	15,127,638

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - Continued

At 30 June 2019

	Notes	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
LIABILITIES			
NON–CURRENT LIABILITIES			
Benefits liability		**45,668**	52,037
Interest–bearing bank and other borrowings	23	**640,000**	685,000
Lease liabilities		**25,480**	-
Deferred tax liabilities	15	**41,213**	43,147
Deferred revenue	24	**159,901**	169,327
Other long–term liabilities		**113,339**	139,896
		1,025,601	1,089,407
CURRENT LIABILITIES			
Trade payables	25	**738,783**	708,390
Contract liabilities		**441,532**	557,099
Other payables and accruals	26	**886,607**	843,668
Interest–bearing bank and other borrowings	23	**1,934,848**	100,000
Lease liabilities		**4,515**	-
Obligations under finance leases		**-**	1,336,131
Income tax payable		**115,692**	186,875
		4,121,977	3,732,163
TOTAL LIABILITIES		**5,147,578**	4,821,570
TOTAL EQUITY AND LIABILITIES		**20,020,084**	19,949,208
NET CURRENT ASSETS		**6,927,884**	7,009,226
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,898,107**	16,217,045
NET ASSETS		**14,872,506**	15,127,638

Xia Qing Long
Director

Lee Kit Ying
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the Company			
	Share 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 2019	**4,610,000**	**1,025,702**	**1,185,957**	**62,302**
Profit for the period	-	-	-	-
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	-	-
Appropriation and utilisation of safety fund, net	-	-	-	**14,391**
2018 final dividends declared (Note 22)	-	-	-	-
Dividends paid to non–controlling interests	-	-	-	-
Balance at 30 June 2019 (Unaudited)	**4,610,000**	**1,025,702**	**1,185,957**	**76,693**
Balance at 1 January 2018	4,610,000	1,025,702	1,071,998	48,212
Profit for the period	-	-	-	-
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	-	-
Disposal of a subsidiary (Note 27)	-	-	-	-
Appropriation and utilisation of safety fund, net	-	-	-	5,670
2017 final dividends declared (Note 22)	-	-	-	-
Dividends paid to non–controlling interests	-	-	-	-
Balance at 30 June 2018 (Unaudited)	4,610,000	1,025,702	1,071,998	53,882

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 earnings RMB'000	Proposed dividends RMB'000	Translation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
6,634,282	**691,500**	**939**	**14,210,682**	**916,956**	**15,127,638**
548,708	**-**	**-**	**548,708**	**48,681**	**597,389**
-	**-**	**1,792**	**1,792**	**-**	**1,792**
548,708	**-**	**1,792**	**550,500**	**48,681**	**599,181**
(14,391)	**-**	**-**	**-**	**-**	**-**
-	**(691,500)**	**-**	**(691,500)**	**-**	**(691,500)**
-	**-**	**-**	**-**	**(162,813)**	**(162,813)**
7,168,599	**-**	**2,731**	**14,069,682**	**802,824**	**14,872,506**
6,074,941	322,700	1,917	13,155,470	1,092,459	14,247,929
752,353	-	-	752,353	98,448	850,801
-	-	(2,423)	(2,423)	-	(2,423)
752,353	-	(2,423)	749,930	98,448	848,378
-	-	-	-	(200,886)	(200,886)
(5,670)	-	-	-	-	-
-	(322,700)	-	(322,700)	-	(322,700)
-	-	-	-	(110,565)	(110,565)
6,821,624	-	(506)	13,582,700	879,456	14,462,156

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended	
	30 June 2019 RMB'000 (Unaudited)	30 June 2018 RMB'000 (Unaudited)
Net cash from operating activities	**530,895**	1,011,826
Net cash from investing activities		
Proceed form disposal of a subsidiary	-	259,270
Interest received	**79,562**	5,893
Purchase of property, plant and equipment	**(97,306)**	(61,821)
Government grants received	**517**	-
Withdrawal of time deposits	**102,684**	22,841
Purchase of financial assets at fair value through profit or loss	**(2,050,000)**	(7,493,393)
Disposal of financial assets at fair value through profit or loss	**456,559**	7,615,503
Proceeds from disposal of property, plant and equipment	**4,082**	292
Net cash flow (used in)/generated from investing activities	**(1,503,902)**	348,585
Net cash from financing activities		
Dividends paid	**(691,500)**	(322,700)
Dividends paid to non-controlling interests	**(162,813)**	(122,565)
Decrease in pledged bank deposit	**(70)**	-
New bank and other borrowings raised	**1,840,848**	569,500
Repayment of bank and other borrowings	**(51,000)**	(19,500)
Repayment of obligations under finance leases	-	(30,000)
Interest paid related to obligations under finance leases	-	(22,282)
Interest paid	**(36,759)**	(19,429)
Payment of lease liabilities	**(1,353,570)**	-
Transaction charge for finance leases	-	(19,375)
Other financing cash flows	-	154
Net cash flow (used in)/generated from financing activities	**(454,864)**	13,803
Net (decrease)/increase in cash and cash equivalents	**(1,427,871)**	1,374,214
Cash and cash equivalents at beginning of the period	**3,400,039**	6,604,933
Effect of foreign exchange rate changes	**(1,617)**	2,534
Cash and cash equivalents at end of the period	**1,970,551**	7,981,681
Analysis of cash and cash equivalents:		
Bank balances and cash	**1,970,551**	7,981,681

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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, 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 "**Stock Exchange**").

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

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 the significant judgments made by the management in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

The IASB has issued a number of new or amended International Financial Reporting Standards ("**IFRSs**") that are first effective for the current accounting period of the Group:

- IFRS 16, Leases
- IFRIC-Interpretation 23, Uncertainty over Income Tax Treatments
- Amendments to IFRS 9, Prepayment Features with Negative Compensation
- Amendments to IAS 19, Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28, Long-term Interests in Associates and Joint Ventures
- Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23, Annual Improvement to IFRSs 2015-2017 Cycle

The impact of the adoption of IFRS 16 Leases ("**IFRS 16**") has been summarised below. The other new or amended IFRSs that are effective from 1 January 2019 did not have any material impact on the group's accounting policies. The Group has not early adopted any new standards, interpretation or amendment that has been issued but is not yet effective for the current accounting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES - Continued

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has initial adopted IFRS 16 from 1 January 2019 and applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated, i.e. it is presented, as previously reported, under IAS 17 Leases and related interpretations. The details of the changes in accounting policies are disclosed below.

A. Definition of a lease

Previously, the Group identified leases in accordance with IAS 17 and IFRIC-4 Determining Whether an Arrangement contains a Lease. The Group assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC-4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

B. As a lessee

Under IAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under IFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but IFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for leases for which at the commencement date have a lease term of 12 months or less. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease. The Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES - Continued

B. As a lessee - Continued

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The lease payments include: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

C. As a lessor

The Group has leased out its investment property to a number of tenants. As the accounting under IFRS 16 for a lessor is substantially unchanged from the requirements under IAS 17, the adoption of IFRS 16 does not have significant impact on these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES - Continued

D. Transition

As mentioned above, the Group has applied IFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application (1 January 2019). The comparative information presented in 2018 has not been restated and continues to be reported under IAS 17 and related interpretations as allowed by the transition provision in IFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying IAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise all the right-of-use assets at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. None of the right-of-use assets were impaired at 1 January 2019.

The Group has also applied the follow practical expedients: (i) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 January 2019) and accounted for those leases as short-term leases; (ii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 January 2019 and (iii) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) IFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying IAS 17 and IFRIC-4 Determining whether an Arrangement contains a Lease and (ii) not to apply IFRS 16 to contracts that were not previously identified as containing a lease under IAS 17 and IFRIC-4.

For those finance leases previously classified as finance leases under IAS 17, the Group recognised the carrying amount of the lease assets and lease liabilities immediately before transition as the carrying amount of the right-of-use assets and the lease liabilities on 1 January 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES - Continued

E. Impact on transition

The table below summaries the impact on the adoption of IFRS 16:

	IAS 17 Carrying amount 31 December 2018 RMB'000	Reclassification RMB'000	Capitalisation of operating lease contracts RMB'000	IFRS 16 Carrying amount 1 January 2019 RMB'000
Assets				
Right-of-use assets comprise of				
- Property, plant and equipment	1,181,338	1,882	4,478	1,187,698
- Prepaid lease payments	573,582	15,204	-	588,786
Prepayments, deposits and other receivables	323,819	(17,086)	-	306,733
Liabilities				
Lease liabilities	-	1,362,322	4,478	1,366,800
Obligations under finance leases	1,336,131	(1,336,131)	-	-
Other long-term liabilities	139,896	(26,191)	-	113,705

The table below explains the differences between the operating lease commitments disclosed at 31 December 2018 by applying IAS 17 and the lease liabilities at the date of initial application at 1 January 2019 by applying IFRS 16:

	RMB'000
Reconciliation of operating lease commitments to lease liabilities	
Operating lease commitments at 31 December 2018	7,367
Less: short term leases for which lease terms end within 31 December 2019	(2,076)
Less: future interest expenses	(813)
Add: obligations under finance leases recognised as at 31 December 2018	1,336,131
Add: obligation under finance lease recognised under other long-term liabilities as at 31 December 2018	26,191
Lease liabilities recognised as at 1 January 2019	1,366,800

The weighted average lessee's incremental borrowing rate at 1 January 2019 was 4.84%.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES - Continued

F. Impacts for the period

The following tables give an indication of the estimated impact of the adoption of IFRS 16 on the group's financial result and cash flows for the six months ended 30 June 2019, by adjusting the amounts reported under IFRS 16 in these condense consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply in 2019 instead of IFRS 16.

	Amounts reported under IFRS 16 RMB'000	Add back: IFRS 16 additional depreciation and interest RMB'000	Deduct: Estimated rental payment related to operating leases under IAS 17 RMB'000 (Note 1)	Hypothetical amounts under IAS 17 RMB'000
Financial result for the six months ended 30 June 2019 impacted by the adoption of IFRS 16:				
Profit from operations	865,949	1,164	(1,160)	865,953
Finance costs	(45,563)	72	-	(45,491)
Profit before income tax	820,386	1,236	(1,160)	820,462
Profit for the period	597,389	1,236	(1,160)	597,465

	Amounts reported under IFRS 16 RMB'000	Deduct: Estimated rental payment related to operating leases under IAS 17 RMB'000 (Note 2)	Hypothetical amounts under IAS 17 RMB'000
Line items in the condensed consolidated statement of cash flows for the six months ended 30 June 2019 impacted by the adoption of IFRS 16:			
Net cash generated from operating activities	504,512	(1,160)	503,352
Net cash used in financing activities	(428,481)	1,160	(427,321)

Note 1: The "estimated rental related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if IAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under IAS 17, if IAS 17 had still applied in 2019. Any potential net tax effect is ignored due to immaterial.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if IAS 17 still applied.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES - Continued

F. Impacts for the period - Continued

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised RMB3,347,000 of right-of-use assets and RMB3,347,000 of lease liabilities as at 30 June 2019.

Also in relation to those leases under IFRS 16, the Group has recognised additional depreciation and interest costs, instead of operating lease expense. During the six months ended 30 June 2019, the Group recognised RMB1,164,000 of additional depreciation charges and RMB72,000 of additional interests costs from these leases. In contrast, rental expenses decreased by RMB1,160,000.

The following are the changes in carrying amounts of the Group's right-of-use assets and related lease liabilities during the current period:

	Right-of-use assets				
	Plant and machinery RMB'000	Warehouses RMB'000	Prepaid lease payments RMB'000	Total RMB'000	Lease liabilities RMB'000
At 1 January 2019	1,181,338	6,360	588,786	1,776,484	1,366,800
Additions	-	3,347	-	3,347	3,347
Depreciation	(50,471)	(1,164)	(7,373)	(59,008)	-
Disposal	-	-	(2,188)	(2,188)	-
Transfer*	(1,107,162)	-	-	(1,107,162)	-
Interest	-	-	-	-	13,418
Lease payments	-	-	-	-	(1,353,570)
At 30 June 2019	23,705	8,543	579,225	611,473	29,995

* The amounts were transferred to owned assets upon the maturity of the lease during the six months ended 30 June 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2019

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**") fertiliser, POM and woven plastic bags.

Segment performance is evaluated based on segment result and is measured consistently with profit before income 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, net exchange losses, change in fair value of financial assets at fair value through profit or loss ("**FVTPL**"), share of profits/(losses) of joint ventures and associates and income tax expenses, which are managed on a group basis and are not allocated to operating segments.

Inter-segments sales are determined on an arm's length basis in a manner similar to transactions with third parties.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2019

3. OPERATING SEGMENT INFORMATION - Continued

	Urea RMB'000	Phosphorus and compound fertilise RMB'000	Methanol RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Six months ended 30 June 2019 (Unaudited)						
Segment revenue:						
Sales to external customers	**2,084,832**	**983,965**	**1,495,089**	**705,116**	**-**	**5,269,002**
Inter-segment sales	**-**	**-**	**-**	**190,247**	**(190,247)**	**-**
Total	**2,084,832**	**983,965**	**1,495,089**	**895,363**	**(190,247)**	**5,269,002**
Segment results:						
Segment profit/(loss) before income tax	**431,325**	**40,515**	**286,659**	**(33,254)**	**-**	**725,245**
Interest and unallocated income						**159,391**
Corporate and other unallocated expenses						**(61,118)**
Net exchange losses						**(2,652)**
Share of profits of joint ventures						**442**
Share of losses of associates						**(922)**
Profit before income tax						**820,386**
Six months ended 30 June 2018 (Unaudited)						
Segment revenue:						
Sales to external customers	2,081,792	1,062,048	1,812,858	541,526	-	5,498,224
Inter-segment sales	-	-	-	76,655	(76,655)	-
Total	2,081,792	1,062,048	1,812,858	618,181	(76,655)	5,498,224
Segment results:						
Segment profit before income tax	271,008	7,784	576,996	83,018	-	938,806
Interest and unallocated income						222,553
Corporate and other unallocated expenses						(16,071)
Net exchange losses						(1,151)
Share of losses of joint ventures						(35)
Share of profits of associates						433
Profit before income tax						1,144,535

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2019

4. REVENUE AND OTHER INCOME

An analysis of revenue and other income is as follows:

	Six months ended	
	30 June 2019 RMB'000 (Unaudited)	30 June 2018 RMB'000 (Unaudited)
Revenue		
Sale of goods, recognised at a point in time*	**5,070,039**	5,305,946
Rendering of services, recognised overtime*	**198,963**	192,278
	5,269,002	5,498,224
Other income		
Income from sale of other materials, recognised at a point in time*	**8,151**	16,198
Income from rendering of other services, recognised overtime*	**12,114**	14,216
Gross rental income	**1,396**	231
Government grants	**63,855**	3,660
Others	**2,588**	8,834
	88,104	43,139

* Revenue from contracts with customer within the scope of IFRS 15.

5. OTHER GAINS AND LOSSES

	Six months ended	
	30 June 2019 RMB'000 (Unaudited)	30 June 2018 RMB'000 (Unaudited)
Gain on disposal of financial assets at FVTPL	**6,559**	162,110
Reversal of impairment loss on other receivables	**163**	-
Loss on disposal of property, plant and equipment	**(2,640)**	(2,617)
Gain on disposal of a subsidiary	**-**	63,060
	4,082	222,553

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2019

6. FINANCE COSTS

	Six months ended	
	30 June 2019	30 June 2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	**32,145**	22,952
Finance charges under obligations under finance leases	**-**	27,042
Interest on lease liabilities	**13,418**	-
	45,563	49,994

7. NET EXCHANGE LOSSES

	Six months ended	
	30 June 2019	30 June 2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Exchange gains	**8,581**	30,540
Exchange losses	**(11,233)**	(31,691)
	(2,652)	(1,151)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2019

8. PROFIT BEFORE INCOME TAX

The Group's profit before income tax for the period is arrived at after charging:

	Six months ended	
	30 June 2019 RMB'000 (Unaudited)	30 June 2018 RMB'000 (Unaudited)
Cost of inventories sold	**4,075,941**	4,040,140
Write-down of inventories to net realisable value	**3,625**	166
Cost of services provided	**162,723**	121,928
Cost of sales recognised as expenses	**4,242,289**	4,162,234
Depreciation and amortisation:		
Amortisation of mining rights	**826**	988
Amortisation of prepaid lease payment	**-**	7,654
Amortisation of intangible assets	**3,604**	3,011
Depreciation of right-of-use assets	**59,008**	-
Depreciation of property, plant and equipment	**293,289**	363,208
Depreciation of investment properties	**3,830**	3,047
	360,557	377,908

9. INCOME TAX EXPENSES

	Six months ended	
	30 June 2019 RMB'000 (Unaudited)	30 June 2018 RMB'000 (Unaudited)
Current tax		
PRC Enterprise Income Tax	**206,105**	285,555
Under-provision in prior year	**6,307**	14,621
	212,412	300,176
Deferred tax	**10,585**	(6,442)
Total income tax expenses	**222,997**	293,734

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2019

9. INCOME TAX EXPENSES - Continued

The Group is subject to income tax on an entity basis on the profit arising in or derived from the tax jurisdictions in which the subsidiaries of the Group are domiciled and operate.

(a) Enterprise income tax ("EIT")

Under the Enterprises Income tax Law of the PRC (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

(b) Hong Kong profits tax

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

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

	Six months ended	
	30 June 2019 RMB'000 (Unaudited)	30 June 2018 RMB'000 (Unaudited)
Profit before income tax	**820,386**	1,144,535
Tax at the statutory tax rate of 25%	**205,097**	286,134
Tax effect of concessionary tax rate	**(431)**	(46)
Tax effect of share of losses/(profits) of joint ventures and associates	**120**	(99)
Tax effect of revenue not taxable for tax purposes	**(6,268)**	(15,719)
Tax effect of expenses not deductible for tax purposes	**737**	1,709
Tax effect of tax losses not recognised	**21,721**	-
Tax effect of deductible temporary differences not recognised	**3,658**	10,122
Utilisation of deductible temporary differences not recognised	**(7,944)**	(2,988)
Under-provision in respect of prior years	**6,307**	14,621
Income tax expenses	**222,997**	293,734
The Group's effective income tax rate	**27%**	26%

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2019

10. EARNINGS PER SHARE

	Six months ended	
	30 June 2019	30 June 2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to owners of the Company	**548,708**	752,353

	Six months ended	
	30 June 2019	30 June 2018
	'000	'000
	(Unaudited)	(Unaudited)
Shares		
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 2019 and 2018.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired property, plant and equipment including construction in progress with an aggregate cost amounting to RMB116,109,000 (six months ended 30 June 2018: RMB64,736,000). Property, plant and equipment with carrying amount of RMB4,101,000 (six months ended 30 June 2018: RMB5,305,000) were disposed of during the six months ended 30 June 2019.

12. PREPAID LEASE PAYMENTS

The Group did not acquire any land use right during the six months ended 30 June 2019 and 2018. Upon the transition to IFRS 16 on 1 January 2019, prepaid lease payments were classified as right–of–use assets (Note 2E).

As of the date of issuance of the condensed consolidated financial statements, the land use right certificate held by CNOOC Hualu Shanxi Coal Chemical Co., Ltd. ("**CNOOC Hualu**"), a subsidiary of the Company, has been invalidated and written-off 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 2018: RMB26,339,000), presented under "Other long term liabilities" and "Other payables and accruals", are no longer payable.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2019

13. INVESTMENT IN JOINT VENTURES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Cost of investment in joint ventures	**265,299**	265,299
Share of post-acquisition profits and other comprehensive income, net of dividends received	**(35,916)**	(38,018)
	229,383	227,281

Particulars of the joint ventures of the Group are set out as follows:

Name of joint ventures	Place and date of Incorporation and operation	Registered capital '000	Percentage of equity interest attributable to the Company Direct %	Indirect %	Principal activities
貴州錦麟化工有限責任公司 (transliterated as Guizhou Jinlin Chemical Co., Ltd.)	PRC 12 April 2007	**RMB481,398**	**41.26**	**-**	Phosphorus mining and processing, manufacturing and sales of phosphorus ore and chemical products
CBC (Canada) Holding Corp. (中海化學(加拿大)控股公司)	Canada 28 May 2013	**CAD24,000**	**60.00**	**-**	Investment holding
海南八所港勞動服務有限公司 (transliterated as Hainan Basuo Port Labour Service Limited)	PRC 24 April 2005	**RMB5,000**	**-**	**36.56**	Provision of overseas shipping services

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2019

14. INVESTMENT IN ASSOCIATES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Cost of investment in associates	**670,031**	670,031
Share of post-acquisition profits and other comprehensive Income, net of dividends received	**(451,193)**	(450,273)
	218,838	219,758

The Group's other receivables with its associates were disclosed in Note 18.

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

Name of associates	Place and date of Incorporation and operation	Registered capital '000	Percentage of equity interest attributable to the Company Direct %	Indirect %	Principal activities
山西華鹿陽坡泉煤礦有限公司 (transliterated as Shanxi Hualu Yangpoquan Coal Mining Co., Ltd.) ("**Yangpoquan Coal**") (Note)	PRC 31 August 2001	**RMB52,000**	**49.00**	-	Mining and sale of coal
中國八所外輪代理有限公司 (transliterated as China Basuo Overseas Shipping Agency Co., Ltd.)	PRC 24 May 2000	**RMB1,800**	-	**36.56**	Provision of overseas shipping services
內蒙古鴻豐包裝有限責任公司 (transliterated as Inner Mongolia Hong Feng Packaging Co., Ltd.)	PRC 9 December 1999	**RMB3,297**	-	**45.21**	Manufacture and sale of woven plastic bags
聯合惠農農資(北京)有限公司 (transliterated as United Agricultural Means of Production (Beijing) Co., Ltd.)	PRC 7 June 2016	**RMB100,000**	**30.00**	-	Merchandising

Note: The Company proposed to initiate a listing-for-sales process to dispose Yangpoquan Coal by virtue of equity transfer on 北京產權交易所有限公司 (transliterated as China Beijing Equity Exchange ("**CBEX**")).

After the recognition of impairment against the carrying amount of investment in Yangpoquan Coal in 2014, the directors of the Company were of the view that no further impairment indication presented and no further impairment was recognised for the six months ended 30 June 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2019

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 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Deferred tax assets	**794,173**	806,692
Deferred tax liabilities	**(41,213)**	(43,147)
	752,960	763,545

The following are the major deferred tax liabilities and assets recognised and movements thereon during the period:

	Accelerated tax depreciation RMB'000	Impairment losses RMB'000	Wages and salaries RMB'000	Fair value adjustment on acquisition of subsidiaries RMB'000	Unused tax losses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2018 (Audited)	23,496	530,323	16,021	(47,079)	255,878	14,387	793,026
(charge)/credit to profit or loss	4,205	(8)	-	1,967	(4,278)	4,556	6,442
At 30 June 2018 (Unaudited)	27,701	530,315	16,021	(45,112)	251,600	18,943	799,468
(charge)/credit to profit or loss	(6,125)	(33,426)	-	1,965	12,712	(11,049)	(35,923)
At 31 December 2018 and 1 January 2019 (Audited)	**21,576**	**496,889**	**16,021**	**(43,147)**	**264,312**	**7,894**	**763,545**
(charge)/credit to profit or loss	**(1,149)**	**(6,513)**	**(1,742)**	**1,934**	**(4,962)**	**1,847**	**(10,585)**
At 30 June 2019 (Unaudited)	**20,427**	**490,376**	**14,279**	**(41,213)**	**259,350**	**9,741**	**752,960**

As at 30 June 2019, the Group has unused tax losses of RMB1,872,756,000 (31 December 2018: RMB1,857,744,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB1,037,400,000 (31 December 2018: RMB1,057,248,000) of such losses. No deferred tax asset has been recognised in respect of the remaining RMB835,356,000 (31 December 2018: RMB800,496,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of RMB835,356,000 (31 December 2018: RMB800,496,000) that will expire in 5 years.

At the end of the reporting period, the Group has deductible temporary differences of RMB593,023,000 (31 December 2018: RMB591,454,000). 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 2019

16. TRADE RECEIVABLES

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

The trading terms of the Group with its customers other than the above are generally on one-month credit, except for some high-credit customers, where payments may be extended.

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade receivables	**97,543**	42,119
Less: impairment loss	**(762)**	(762)
	96,781	41,357

An aging analysis of trade receivables 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 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Within six months	**96,779**	41,329
Over six months but within one year	**-**	28
Over one year but within two years	**2**	-
	96,781	41,357

The expected credit losses ("**ECLs**") allowance is assessed collectively for receivables that were neither past due nor impaired and individually for impaired trade receivables with an aggregate carrying amount of RMB762,000 (31 December 2018: RMB762,000).

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

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Neither past due nor impaired	**96,781**	41,170
One to three months past due	**-**	187
	96,781	41,357

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2019

16. TRADE RECEIVABLES - Continued

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.

Receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group.

As at 30 June 2019, 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 receivables are in aggregate RMB46,479,000 (31 December 2018: RMB21,950,000). The amounts due are unsecured, non-interest bearing and repayable on similar credit terms to those offered to the major customers of the Group.

17. BILLS RECEIVABLE

The bills receivable of the Group as at 30 June 2019 and 31 December 2018 were all mature within six months.

As at 30 June 2019, the Group did not transferred any bills receivable through endorsement to its suppliers to settle its payables (31 December 2018: RMB278,726,000). The Group has derecognised these bills receivables and the payables to suppliers in their entirety. In the opinion of the directors of the Company, the Group has limited exposure in respect of the settlement obligation of these bills receivable under relevant PRC rules and regulations should the issuing bank failed to settle the bills on maturity date. The Group 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.

As at 30 June 2019, the Group's maximum exposure to loss, which was same as the amount payable by the Group to banks or the suppliers in respect of the endorsed bills, should the issuing banks fail to settle the bills on maturity date, amounted to RMBNil (31 December 2018: RMB278,726,000).

The fair value of bills receivable was close to their carrying amounts given all bills receivable were mature within six months.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2019

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Prepayments	165,815	175,671
Prepaid lease payments	-	15,204
Deposits and other receivables	179,288	157,199
Less: impairment loss	(24,067)	(24,255)
	321,036	323,819

Movement in the loss allowance in respect of other receivables during the period/year is as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Balance at beginning of period/year	24,255	7,624
(Reversal of impairment losses)/ impairment losses recognised during the period/year	(163)	16,631
Write-off during the period/year	(25)	-
Balance at end of period/year	24,067	24,255

The impairment loss recognised relates to the ECLs on other receivables, there was neither significant increase in credit risk since initial recognition nor credit impairment that has occurred during the period/year. The loss allowance for these receivables was limited to 12 months ECLs.

Apart from the loss allowance mentioned above, none of the above assets is either past due or impaired. The financial assets included in the above balances related to receivables for which there was no recent history of default.

The amounts due from the ultimate holding company, CNOOC group companies, associates 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 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Ultimate holding company	-	1,563
CNOOC group companies	53,287	36,226
Associates	-	8,143
Other related parties	2,799	274
	56,086	46,206

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2019

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Wealth management products	1,637,106	-

Financial assets at FVTPL represent unlisted wealth management products placed in licensed banks. As at 31 December 2018, all the unlisted wealth investments in licensed banks were disposed.

20. CASH AND CASH EQUIVALENT

The Group's bank balances and cash were denominated in RMB as at 30 June 2019 and 31 December 2018, except for amounts of RMB129,523,000 (31 December 2018: RMB369,427,000) which was translated from USD18,841,000 (31 December 2018: USD53,800,000); RMB12,619,000 (31 December 2018: RMB12,116,000) which was translated from HKD14,402,000 (31 December 2018: HKD10,616,000); RMB24,000 (31 December 2018: RMB24,000) which was translated from EUR3,000 (31 December 2018: EUR3,000).

As at 30 June 2019, included in the Group's bank balances and cash were RMB390,231,000 (31 December 2018: RMB399,402,000) 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.

21. 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 2019 (Unaudited) and 31 December 2018 (Audited)	4,610,000	4,610,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2019

22. PROPOSED DIVIDENDS

Pursuant to the articles of association of the Company, the net profit after income 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 six months ended 30 June 2019, a final dividend of RMB0.15 per share in respect of the year ended 31 December 2018 (six months ended 30 June 2018: a final dividend of RMB0.07 per share in total in respect of the year ended 31 December 2017) was declared and paid to the owners of the Company. The dividend declared and paid during the six months ended 30 June 2019 amounted to RMB691,500,000 (six months ended 30 June 2018: RMB322,700,000).

The board of directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: RMBNil).

23. INTEREST-BEARING BANK AND OTHER BORROWINGS

During the six months ended 30 June 2019, the Group obtained new short term unsecured and secured bank and other borrowings denominated in RMB amounting to RMB740,848,000 and RMB1,100,000,000 respectively (six months ended 30 June 2018: unsecured bank borrowings of RMB550,000,000), which are bearing interest rates of 3.37%-4.13% per annum and secured by property, plant and equipment amounted to RMB1,167,885,000 (2018: RMBNil).

The interest-bearing bank and other borrowings have effective interest rates of 3.37%-4.41% payable within 2019 to 2023. The amounts due are based on the scheduled repayment dates set out in the loan agreements.

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

24. DEFERRED REVENUE

Deferred revenue mainly includes unconditional government grants. The deferred revenue generated from government grants is recognised in the consolidated statement of profit or loss according to the depreciation periods of the related assets and the periods in which the related costs incurred.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2019

25. TRADE PAYABLES

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

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade payables	**738,783**	708,390

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

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Within six months	**635,673**	588,115
Over six months but within one year	**58,605**	19,944
Over one year but within two years	**20,204**	74,737
Over two years but within three years	**7,250**	3,149
Over three years	**17,051**	22,445
	738,783	708,390

As at 30 June 2019, the amounts due to CNOOC group companies included in the above trade payables amounted to RMB244,147,000 (31 December 2018: RMB302,599,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2019

26. OTHER PAYABLES AND ACCRUALS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Accruals	**4,989**	12,653
Accrued payroll	**242,417**	181,835
Other payables	**387,651**	364,602
Long-term liabilities due within one year in relation to CNOOC Hualu land use right	**1,798**	1,798
Interest payable	**3,097**	1,054
Dividends payable	**13,445**	13,445
Payables to government	**15,965**	21,848
Other tax payables	**31,717**	43,178
Port construction fee payable	**158,774**	164,655
Payables in relation to the construction and purchase of property, plant and equipment	**26,754**	38,600
	886,607	843,668

As at 30 June 2019, the amounts due to the ultimate holding company, CNOOC group companies and other related parties included in contract liabilities and other payables and accruals, which are unsecured, non-interest bearing and have no fixed repayment terms, can be analysed as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Ultimate holding company	**532**	532
CNOOC group companies	**26,427**	37,359
Other related parties	**-**	8,227
	26,959	46,118

27. DISPOSAL OF A SUBSIDIARY IN PRIOR YEAR

On 19 July 2017, the directors of the Company resolved to dispose the Group's 51% owned subsidiary, China BlueChemical Yichang Mining Ltd. ("**Yichang Mining**") in others segment. The disposal was effected in order to direct the Group's resources to its core segments of business. Yichang Mining has been in construction stage since it received the mining right in 2016.

The disposal was completed on 26 February 2018, on which date control of Yichang Mining passed to the independent acquirers.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2019

27. DISPOSAL OF A SUBSIDIARY IN PRIOR YEAR - Continued

The net assets of the subsidiary on the date of disposal were as follow:

	30 June 2018 RMB'000 (Unaudited)
Property, plant and equipment	67,577
Mining and exploration rights	329,120
Cash and cash equivalents	12,876
Prepayments, deposits and other receivables	633
Other payables and accruals	(229)
Income tax payable	(5)
	409,972
Non-controlling interests	(200,886)
Gain on disposal of a subsidiary	63,060
Total consideration	272,146
Satisfied by:	
Cash	272,146

28. COMMITMENTS AND CONTINGENT LIABILITIES

a. Contingent liabilities

At the end of the reporting period, the Group did not have any significant contingent liability.

b. Capital commitments

As at 30 June 2019 and 31 December 2018, the Group had the following capital commitments:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Contracted, but not provided for acquisition of plant and machinery	**278,187**	51,094

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2019

29. RELATED PARTY TRANSACTIONS

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

	Six months ended	
	30 June 2019 RMB'000 (Unaudited)	30 June 2018 RMB'000 (Unaudited)
(A) Included in revenue and other income		
(a) CNOOC group companies		
Sale of goods	**198,024**	183,579
Provision of transportation services	**13,552**	58
Provision of packaging and assembling services	**48,859**	49,834
Provision of other services	**67**	-
	260,502	233,471
(b) Other related parties		
Sale of goods	**169,592**	149
Provision of other services	**6,736**	-
	176,328	149
(B) Included in cost of sales and other expenses		
(a) CNOOC group companies		
Purchase of raw materials	**1,317,120**	1,140,413
Lease of offices	**13,253**	10,112
Labour services	**17,084**	10,967
Network services	**2,135**	414
Logistics services	**-**	1,468
Construction and installation services	**464**	-
Consultancy services	**352**	-
	1,350,408	1,163,374
(b) Other related parties		
Purchase of raw materials	**25,704**	-
(C) Included in loans and finance income/costs		
(a) CNOOC Finance		
Finance income	**1,288**	2,067
Interest paid to CNOOC Finance	**47,205**	-
Fees and charges paid to CNOOC Finance	**1,853**	596
Loans received from CNOOC Finance	**-**	1,078,798
(D) Included in finance leaseback		
(a) CNOOC Leasing		
Finance lease charges	**-**	8,020
Interest on finance leaseback	**-**	19,022
Interest on lease liabilities	**18,403**	-

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2019

29. RELATED PARTY TRANSACTIONS - Continued

(2) Balances with related parties

Details for following balances are set out in Notes 16, 18, 20, 25 and 26 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 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Ultimate holding company	-	1,563	532	532
CNOOC group companies (excluding CNOOC Finance)	91,951	56,629	270,574	1,676,089
Associates	-	8,492	-	8,227
CNOOC Finance	7,815	-	-	-
Other related parties	2,799	1,472	-	21,690

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Deposits placed by the Group with CNOOC Finance	390,934	399,402

(3) Compensation of key management personnel of the Group

	Six months ended	
	30 June 2019 RMB'000 (Unaudited)	30 June 2018 RMB'000 (Unaudited)
Short-term employee benefits	5,720	1,342
Post-employment benefits	40	79
	5,760	1,421

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2019

29. 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 2019 and 31 December 2018 are summarised below:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Cash and cash equivalents	**1,512,796**	3,352,450
Pledged bank deposits	**50,073**	50,003
Time deposits	**5,158,118**	5,260,802
	6,720,987	8,663,255
Short-term bank borrowings	**1,494,000**	-
Long-term bank borrowings	**640,000**	785,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2019

30. FINANCIAL INSTRUMENTS

(a) Financial instruments not measured at fair value

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

The fair values of trade receivables, financial assets included in deposits and other receivables, pledged bank deposits, time deposits, cash and cash equivalents, trade payables and other payables, approximate to their carrying amounts largely due to the short term maturities of these instruments.

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

(b) Financial instruments measured at fair value

The valuation techniques used in determining the fair value measurement of level 2 and level 3 financial instruments, as well as the relationship between key observable inputs and fair value are set out below.

Information about level 2 fair value measurements

The fair value of wealth management products was calculated as the present value of the estimated future cash flows based on market interest rates of instruments with similar terms and risks.

Information about level 3 fair value measurements

The fair value of unlisted equity investment was determined based on transaction price and factors or events that have occurred after the acquisition date. Since there is no significant change in market condition or the performance and operation of the investment, the directors considered the fair value of the unlisted equity investment was approximately the transaction price.

There were no changes in valuation techniques during the period.

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Input for the asset or liability that is not based on observable market data (unobservable input).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2019

30. FINANCIAL INSTRUMENTS - Continued

(b) Financial instruments measured at fair value - Continued

	30 June 2019 (Unaudited)		
	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000
Financial assets at FVTPL			
- Wealth management products	**1,637,106**	**-**	**1,633,730**
Financial asset at FVOCI			
- Unlisted equity investment	**-**	**600**	**600**

	31 December 2018 (Audited)		
	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000
Financial asset at FVOCI			
- Unlisted equity investment	-	600	600

During the six months ended 30 June 2019 and 30 June 2018, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

31. EVENTS AFTER THE REPORTING PERIOD

There is no material event after the reporting period.

32. APPROVAL OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorised for issue by the board of directors on 28 August 2019.

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 Secretary	Wu Xiaoxia Ng Sau Mei
Authorized representatives	Xia Qinglong Wu Xiaoxia
Alternate to authorized representatives	Zhou Yuying
Principal banker	Bank of China, Hainan Branch
Auditor	BDO Limited 25th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong
Hong Kong law legal adviser	Freshfields Bruckhaus Deringer 55th Floor, One Island East, Taikoo Place, Quarry Bay, Hong Kong
The PRC law legal adviser	Jun He Law Offices China Resources Building, 20th Floor, 8 Jianguomenbei Avenue
H Share registrar and transfer office	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East, Wanchai, Hong Kong
Investor Relations/Public Relations	
Hong Kong	Tel: (852) 22132533 Fax: (852) 25259322
Beijing	Tel: (86) 010 84521782 Fax: (86) 010 84527254
Webiste	www.chinabluechem.com.cn
Stock Code	Hong Kong Stock Exchange: 3983