



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)

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Financial Highlights

Selected data of condensed consolidated statement of profit or loss

For the six months ended 30 June 2021

(All amounts expressed in thousands of Renminbi, except for per share data)

Selected data	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Revenue	6,109,852	4,971,572
Cost of sales	(4,665,038)	(4,286,245)
Gross profit	1,444,814	685,327
Other income, other gains and losses	60,691	59,036
Selling and distribution costs	(217,820)	(224,952)
Administrative expenses	(229,927)	(189,860)
Other expenses	(18,135)	(7,057)
Change in fair value of financial assets at fair value through profit or loss	5,085	28,774
Finance income	185,904	119,283
Finance costs	(32,395)	(38,596)
Net exchange gains	667	127
Gain on disposal of a subsidiary	68,707	-
Gain on disposal of an associate	455,103	-
Share of profits/(losses) of joint ventures	99	(133)
Share of profits of associates	908	450
Profit before income tax	1,723,701	432,399
Income tax expenses	(395,776)	(132,783)
Profit for the period	1,327,925	299,616
Profit for the period attributable to:		
Owners of the Company	1,245,766	309,939
Non-controlling interests	82,159	(10,323)
	1,327,925	299,616
Earnings per share attributable to ordinary owners of the Company		
- Basic for the period (RMB per share)	0.27	0.07

Selected data of condensed consolidated statement of financial position

As at 30 June 2021

(All amounts expressed in thousands of Renminbi)

Selected data	30 June 2021	31 December 2020
	(Unaudited)	(Audited)
Assets		
Non-current assets	7,673,999	8,062,308
Current assets	12,989,597	12,685,460
Total assets	20,663,596	20,747,768
Equity and liabilities		
Total equity	16,606,196	15,628,137
Non-current liabilities	194,908	216,920
Current liabilities	3,862,492	4,902,711
Total equity and liabilities	20,663,596	20,747,768

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 (%)		
		2021	2020	Change %	2021	2020	Change
Chemical Fertilisers							
Urea	Fudao Phase I	306,471	273,298	12.1	117.9	105.1	12.8
	Fudao Phase II	380,834	450,303	(15.4)	95.2	112.6	(17.4)
	CNOOC Tianye	-	318,133	(100.0)	-	122.4	(122.4)
	CNOOC Huahe	317,158	339,109	(6.5)	122.0	130.4	(8.4)
	Group total	1,004,463	1,380,842	(27.3)	85.1	117.0	(31.9)
Phosphate Fertilisers and Compound Fertilisers	DYK MAP	35,263	24,591	43.4	47.0	32.8	14.2
	DYK DAP Phase I (Note 1)	152,061	140,065	8.6	86.9	80.0	6.9
	DYK DAP Phase II	322,712	247,134	30.6	129.1	98.9	30.2
	Group total	510,036	411,790	23.9	102.0	82.4	19.6
Chemical Products							
Methanol	Hainan Phase I	240,040	319,158	(24.8)	80.0	106.4	(26.4)
	Hainan Phase II	362,416	431,285	(16.0)	90.6	107.8	(17.2)
	CNOOC Tianye	-	55,255	(100.0)	-	55.3	(55.3)
	Group total	602,456	805,698	(25.2)	75.3	100.7	(25.4)
POM	CNOOC Tianye POM	17,375	16,639	4.4	86.9	83.2	3.7
	Group total	17,375	16,639	4.4	86.9	83.2	3.7

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

		For the six months ended 30 June		
		2021	2020	Change %
Chemical Fertilisers				
Urea	Fudao Phase I	290,823	259,779	12.0
	Fudao Phase II	393,886	425,799	(7.5)
	CNOOC Tianye	284	287,329	(99.9)
	CNOOC Huahe	338,780	356,458	(5.0)
	Group total	1,023,773	1,329,366	(23.0)
Phosphate Fertilisers and Compound Fertilisers	DYK MAP	32,803	31,587	3.8
	DYK DAP Phase I (Note 1)	171,478	125,043	37.1
	DYK DAP Phase II	349,534	265,562	31.6
	Group total	553,815	422,192	31.2
Chemical Products				
Methanol	Hainan Phase I	238,168	281,956	(15.5)
	Hainan Phase II	339,884	410,052	(17.11)
	CNOOC Tianye	-	45,104	(100.0)
	Group total	578,052	737,112	(21.6)
POM	CNOOC Tianye POM	17,410	15,127	15.1
	Group total	17,410	15,127	15.1

Note 1: In the first half of 2021, the DYK DAP Phase I Plant produced 27,835 tonnes of DAP and 124,226 tonnes of compound fertilisers, totaling at 152,061 tonnes, and sold 8,035 tonnes of DAP and 163,443 tonnes of compound fertilisers, totaling at 171,478 tonnes. In the first half of 2020, the DYK DAP Phase I Plant produced 21,360 tonnes of DAP and 118,705 tonnes of compound fertilisers, totaling at 140,065 tonnes, and sold 18,930 tonnes of DAP and 106,113 tonnes of compound fertilisers, totaling at 125,043 tonnes.

CEO's Report

Dear shareholders,

In the first half of 2021, the Company adhered to the principle of strict management and control over production and operation, and further enhanced the level of production management; expanded the market and sales, effectively improved the quality and scale of self-operated trading business, continued to optimize sales channels, fully cultivated the product brand premium, and further leveraged sales as a "second engine"; kept exploring potential and increased efficiency with a view of pursuing excellence, strengthened the effectiveness and efficiency of internal management, and focused on cost reduction and efficiency enhancement in all aspects. In the first half of the year, the Company realized revenue of RMB6,110 million, representing an increase of 23.9% over the corresponding period in last year, with net profit attributable to owners of the Company of RMB1,246 million recorded, representing an increase of 301.9% over the corresponding period in last year.

The Company has been consistently upholding a philosophy of green and sustainable development over the years. It was the tenth consecutive year that the Company has been awarded the Benchmark Enterprise of Leading Energy Efficiency in the synthetic ammonia and methanol industry by China Petroleum and Chemical Industry Federation. The Company's brand value continues to increase, ranking 29th in the energy and chemical industry with a brand value of RMB3.199 billion in the 2021 China brand value evaluation.

Review of the first half of the year

During the reporting period, the Company vigorously promoted the three years action plan for national safety production special rectification (全國安全生產專項整治三年行動計劃), intensified the investigation of hidden dangers, and continued to strengthen the refined management of production. The Fudao Phase II urea plant and the Hainan Phase I methanol plant achieved a continuous operation period of 629 days and 674 days, respectively, both breaking the national record of long-term operation. At the same time, the scheduled maintenance of nine sets of plants have been carried out in an orderly manner, laying a solid foundation for stable operations afterwards. In the first half of the year, the Company produced 1,004 thousand tonnes of urea, 602 thousand tonnes of methanol, 510 thousand tonnes of phosphate fertilisers and compound fertilisers and 17 thousand tonnes of POM.

In terms of marketing, the Company fully seized the advantageous moment when prices of chemical fertilisers and chemical products rose, coordinated the domestic and foreign markets, effectively improved the quality and scale of self-operated business, intensified efforts to develop end-users, and fully tapped the brand and quality premium capabilities of fertiliser products. In the first half of the year, the Company sold 1,024 thousand tonnes of urea, 578 thousand tonnes of methanol, 554 thousand tonnes of phosphate fertilisers and compound fertilisers and 17 thousand tonnes of POM. The Company continued to optimize its product structure and the sales volume of value-added products hit a record high of 233 thousand tonnes.

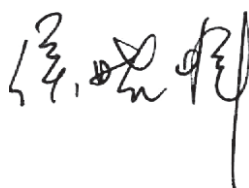
The construction of the key acrylonitrile project proceeded in an orderly manner and in the same progress as planned. The Company have obtained operating licenses for hazardous chemicals over pre-sales of acrylonitrile product. The dispute over the Yangpoquan project in Shanxi has been completely resolved, and all investments plus existing debts were recovered.

Outlook for the second half of 2021

Looking forward to the second half of the year, the overseas COVID-19 pandemic situation remains severe and complex, posing certain impact on the recovery of macro economy. The overall price of fertilisers will be resilient as supported by the strong demand. The implementation of price stabilization and supply guarantee measures by the government and the adjustment of export policies across the country are expected to benefit the rational adjustments of the domestic prices. Based on the relative stable downstream demand, the price of methanol will experience volatile adjustment along with the oil price trend. For POM, we are required to focus on the impact of imports on supply and downstream demand recovery.

In the second half of the year, the Company will strictly implement the normalization requirements for epidemic prevention and control to ensure safe production; improve fine operation and supper management to realize the safe and stable operation of each production plants; continuously improve the integrity management level of equipment and facilities and increase the management of contractor to facilitate cost reduction and efficiency enhancement; make perfect preparation for selling fertiliser in the autumn and storage in the winter; increase the expansion of trading market for fertiliser and chemical products to strengthen the ability to increase the efficiency of selling and trading and enhance the profit margin of products; promote e-commerce work to enhance e-commerce risk control capabilities and user stickiness; undertake the construction of acrylonitrile project with high quality and efficiency; formulate and release the Company's 14th Five-Year Plan; to deeply explore feasible ways to make use of natural gas in the South China Sea and vigorously promote the research of carbon-rich natural gas utilization technology, and further promote the green and low-carbon development.

Hou Xiaofeng
Chief Executive Officer (CEO), President



Management Discussion and Analysis

Sector Review

Chemical fertiliser industry

In 2021, the first year of the “14th Five-Year Plan”, the PRC government continues to focus on agriculture, rural areas and farmers. The structural reforms on the agricultural supply side have been intensified, and the government has emphasized that the sown area of grain should remain stable with an output of more than 1.3 trillion catties. At the same time, China continues to promote fertilizer reduction and efficiency enhancement and vigorously promote environmental protection. The supply side of the chemical fertiliser industry continues to shrink and the clearance of backward and small production capacity is accelerated. The relationship between supply and demand in the fertilizer industry gradually tends to balance.

(I) Urea

Due to the tight supply of natural gas since the heating season began in the fourth quarter of last year, almost all gas-originated urea companies halted production, resulting in a significant drop in industry operation rate. Coupled with the demand during fertilizer preparation period in the domestic spring farming, the imbalance of supply and demand led to a rapid increase in domestic urea price from January to February. In March, with the release of the national reserves of urea, the supply was relatively sufficient and the market showed stable trend. From May to June, with release of industrial and agricultural demand and driven by export, the market supply became tight again and price of urea surged rapidly.

In the first quarter, the highest urea market price exceeded RMB2,100 per tonne, while the urea market fluctuated slightly in the second quarter. The urea market continued to heat from May to June, during which the mainstream high-end price rose to a record high of RMB2,900 per tonne.

(II) Phosphate fertilisers

In the first half of the year, the overall phosphate fertiliser market maintained an upward trend. From January to February, affected by factors including rising raw material costs, the shutdown of the Southwest plant, tight transportation and deficient supply, domestic DAP quotations remained on the rise, with an increment of nearly RMB700 per tonne. Market supply and transportation gradually recovered and prices declined slightly from March to April as a result of continuous release of national reserves to mitigate the tight market supply. From May to June, with the ending of fertiliser using in the domestic spring farming, the focus of enterprises shifted to exports. The international market continued to improve, which led to higher prices.

In the first half of the year, the prices of MAP and DAP both rose sharply. The mainstream ex-factory price of MAP at the beginning of the year was approximately RMB2,050 per tonne and approximately RMB2,420 for that of DAP. By the end of June, the prices reached RMB3,100 per tonne and RMB3,400 per tonne, respectively, representing an increase of around RMB1,000 for each.

Chemical industry

In the first half of 2021, due to the control of the epidemic, the recovery of demand and the continuous increase in crude oil prices, both the supply and demand of the chemical industry experienced growth and market prices fluctuated with an upward trend. Although there was a downward adjustment in the later period, the overall price level was relatively good and the overall business situation of the industry continued to improve.

(I) Methanol

In the first half of the year, the new domestic production capacity was approximately 5.75 million tonnes and the domestic production volume of methanol increased by 3.93 million tonnes or approximately 12.7% from the corresponding period of last year to approximately 34.7 million tonnes. The import volume was approximately 5.85 million tonnes, representing a decrease of 130,000 tonnes or 2.2% over the corresponding period of last year.

In the first quarter, the methanol market price fluctuated with an upward trend. The market price in Southern China ranged from RMB2,300 to RMB2,660 per tonne, and the methanol price range in Inner Mongolia was RMB1,650 to RMB2,100 per tonne. In the second quarter, the increase in supply was slightly greater than that of the demand. The price first rose and then fell. The market price in Southern China fluctuated in the range of RMB2,430 to RMB3,000 per tonne and the methanol price in Inner Mongolia ranged from RMB1,900 to RMB2,380 per tonne.

(II) POM

In the first half of the year, POM production recorded good profit and the production enterprises were highly motivated to resume operation under overcapacity. In the first half of 2021, the output showed an upward trend compared with the same period of last year, up 14.8% from the first half of 2020.

In the first half of 2021, the domestic POM market has been on the rise and the overall POM market was at a significantly higher level than in 2020. The overall performance of the POM market in the first quarter was strong, with an average product price of RMB15,767 per tonne. In the second quarter, domestic manufacturers overhauled and the supply was reduced sharply. The overall market was relatively strong and volatile, with an average product price of RMB17,000 per tonne.

Business Review

During the reporting period, the Company enhanced its management and control on production and operation, and its major production facilities were running smoothly and frequently achieved good results. The Fudao Phase II urea plant and the Hainan Phase I methanol plant achieved a continuous operation period of 629 days and 674 days, respectively, both breaking the national record of long-term operation. At the same time, the scheduled maintenance of nine sets of plants have been carried out in an orderly manner, laying a solid foundation for stable operations afterwards. In the first half of the year, the Company produced 1,004 thousand tonnes of urea, 602 thousand tonnes of methanol, 510 thousand tonnes of phosphate fertilisers and compound fertilisers and 17 thousand tons of POM.

In the first half of the year, the Company fully seized the advantageous moment when prices of chemical fertilisers and chemical products rose, effectively improved the quality and scale of self-operated business, intensified efforts to develop end-users, and fully tapped the brand and quality premium capabilities of fertiliser products. The Company sold 1,024 thousand tonnes of urea, 578 thousand tonnes of methanol, 554 thousand tonnes of phosphate fertilisers and compound fertilisers and 17 thousand tonnes of POM. The Company continued to optimize its product structure and the sales volume of value-added products hit a record high of 233 thousand tonnes. Grasping the positive international market, the Company exported approximately 164 thousand tonnes of urea and approximately 82 thousand tonnes of DAP in the first half of the year.

The construction of the key acrylonitrile project proceeded in an orderly manner and in the same progress as planned. The Company have obtained operating licenses for hazardous chemicals over pre-sales of acrylonitrile product. The dispute over the Yangpoquan project in Shanxi has been completely resolved, and all investments plus existing debts were recovered.

In the first half of the year, the Company actively promoted the “Dual Carbon Action Plan” and completed the compilation of the “Report of Low Carbon Action Plan”. The Company also organized and carried out researches over the strategy to reduce its carbon emission under the background of carbon peak, and promoted the implementation of energy conservation and emission reduction projects.

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					
	2021			2020		
	Production volume (tonnes)	Sales volume (tonnes)	Utilisation rate (%)	Production volume (tonnes)	Sales volume (tonnes)	Utilisation rate (%)
Chemical fertilisers						
Urea						
Fudao Phase I	306,471	290,823	117.9	273,298	259,779	105.1
Fudao Phase II	380,834	393,886	95.2	450,303	425,799	112.6
CNOOC Tianye	-	284	-	318,133	287,329	122.4
CNOOC Huahe	317,158	338,780	122.0	339,109	356,458	130.4
Group total	1,004,463	1,023,773	85.1	1,380,842	1,329,366	117.0
Phosphate fertilisers and Compound fertilisers						
DYK MAP	35,263	32,803	47.0	24,591	31,587	32.8
DYK DAP Phase I (Note 1)	152,061	171,478	86.9	140,065	125,043	80.0
DYK DAP Phase II	322,712	349,534	129.1	247,134	265,562	98.9
Group total	510,036	553,815	102.0	411,790	422,192	82.4
Chemical products						
Methanol						
Hainan Phase I	240,040	238,168	80.0	319,158	281,956	106.4
Hainan Phase II	362,416	339,884	90.6	431,285	410,052	107.8
CNOOC Tianye	-	-	-	55,255	45,104	55.3
Group total	602,456	578,052	75.3	805,698	737,112	100.7
POM						
CNOOC Tianye POM	17,375	17,410	86.9	16,639	15,127	83.2
Group total	17,375	17,410	86.9	16,639	15,127	83.2

Note 1: In the first half of 2021, the DYK DAP Phase I Plant produced 27,835 tonnes of DAP and 124,226 tonnes of compound fertilisers, amounting to 152,061 tonnes in total, and sold 8,035 tonnes of DAP and 163,443 tonnes of compound fertilisers, amounting to 171,478 tonnes in total. In the first half of 2020, the DYK DAP Phase I Plant produced 21,360 tonnes of DAP and 118,705 tonnes of compound fertilisers, amounting to 140,065 tonnes in total, and sold 18,930 tonnes of DAP and 106,113 tonnes of compound fertilisers, amounting to 125,043 tonnes in total.

BB fertilisers

In the first half of 2021, the Group produced a total of 19,101 tonnes of BB fertilisers with a sales volume of 18,884 tonnes.

Financial Review

Revenue and gross profit

During the reporting period, the Group's revenue was RMB6,109.9 million, representing an increase of RMB1,138.3 million, or 22.9%, from RMB4,971.6 million during the same period of 2020. This was primarily attributable to the significant year-on-year increase of selling prices of methanol, urea and phosphate fertilisers and compound fertilisers of the Group.

During the reporting period, the Group's external revenue from urea was RMB2,016.3 million, representing a decrease of RMB80.4 million, or 3.8%, from RMB2,096.7 million during the same period of 2020. This was primarily attributable to: (1) a decrease of 305,593 tonnes in the sales volume of urea, leading to a decrease of RMB482.0 million in revenue; and (2) an increase of RMB392.3 per tonne in the selling price of urea, leading to an increase of RMB401.6 million in revenue, which has partially offset the above decrease.

During the reporting period, the Group's external revenue from phosphate fertilisers and compound fertilisers was RMB1,475.2 million, representing an increase of RMB599.9 million, or 68.5%, from RMB875.3 million during the same period of 2020. This was primarily attributable to: (1) an increase of RMB589.9 per tonne in the selling price of phosphate fertilisers and compound fertilisers, leading to an increase of RMB326.7 million in revenue; and (2) an increase of 131,760 tonnes in the sales volume of phosphate fertilisers and compound fertilisers, leading to an increase of RMB273.2 million in revenue.

During the reporting period, the Group's external revenue from methanol was RMB1,277.2 million, representing an increase of RMB181.6 million, or 16.6%, from RMB1,095.6 million during the same period of 2020. This was primarily attributable to: (1) an increase of RMB723.3 per tonne in the selling price of methanol, leading to an increase of RMB418.0 million in revenue; and (2) a decrease of 159,059 tonnes in the sales volume of methanol, leading to a decrease of RMB236.4 million in revenue, which has partially offset the above increase.

During the reporting period, the Group's external revenue from other segments (primarily comprising port operations and provision of transportation services; trading in fertilisers and chemicals, manufacture and sales of POM, BB fertilisers and liquid ammonia) amounted to RMB1,341.2 million, representing an increase of RMB437.2 million, or 48.4%, from RMB904.0 million during the same period of 2020. This was mainly attributable to: (1) an increase of RMB4,093.7 in price and an increase of 2,283 tonnes in sales volume of POM, over the same period of 2020, leading to an increase of RMB86.5 million in revenue; (2) an increase in the trading volume of the Company and an increase of RMB366.4 million in the revenue of trading business during the reporting period as compared with the same period of last year, along with the gradual improvement of the marketing platforms; (3) a decrease in revenue of RMB37.5 million due to the throughput of Basuo Port; (4) an increase of RMB4.7 million in revenue due to the increase in the sales volume and the price of BB fertilisers; (5) an increase of RMB17.0 million in revenue from selling liquid ammonia, formaldehyde and carbon dioxide, etc.

During the reporting period, the Group's gross profit was RMB1,444.8 million, representing an increase of RMB759.5 million, or 110.8%, from RMB685.3 million during the same period of 2020. This was mainly attributable to: (1) the substantial increase in urea price in 2021 offset the impact of reduced production, resulting in an increase of RMB89.8 million in gross profit of urea; (2) the substantial increase in methanol prices in 2021 offset the impact of reduced production, resulting in an increase of RMB336.5 million in gross profit of methanol; (3) the substantial increase in the prices of phosphate fertilisers and compound fertilisers and the increase in the sales volume led to an increase in gross profit of RMB226.1 million; (4) the substantial increase in the price of POM and the increase in its sales volume led to an increase in gross profit of RMB67.2 million; (5) the gross profit of other segments increased by RMB39.9 million.

Other income, other gains and losses

During the reporting period, other income of the Group amounted to RMB59.5 million, representing an increase of RMB17.0 million, or 40%, from RMB42.5 million of other income during the same period of 2020. This was primarily attributable to the penalty interest of RMB18.3 million received from Hualu Yangpoquan during the first half of this year.

During the reporting period, other gains and losses of the Group amounted to RMB1.2 million, representing a decrease of RMB15.3 million, or 92.7%, from RMB16.5 million of other gains and losses during the same period of 2020. This was primarily attributable to: (1) there was no maturity gains from wealth management by middle of this year, while gains from wealth management amounted to RMB17.1 million during the same period of last year; and (2) the reversal of provision for bad debts of RMB2.1 million from Hualu Yangpoquan during the first half of this year, which partially offset the above decrease.

Selling and distribution costs

During the reporting period, the Group's selling and distribution costs amounted to RMB217.8 million, representing a decrease of RMB7.1 million from RMB224.9 million of selling and distribution costs during the same period of 2020. This was primarily attributable to: (1) the overall decrease in the sales volume during the first half of this year and a year-on-year decrease of RMB13.2 million in direct selling expenses such as packaging, warehousing, assembling and port miscellaneous expenses; and (2) a year-on-year increase of RMB6.1 million in expense of sales agencies.

Administrative expenses

During the reporting period, the Group's administrative expenses amounted to RMB229.9 million, representing an increase of RMB40.0 million, or 21.1%, from RMB189.9 million of administrative expenses during the same period in 2020, which was mainly attributable to: (1) an increase of RMB40.8 million in staff costs; (2) a year-on-year decrease of RMB4.6 million in utilities, property fees, communication fees and rental fees due to the cost reduction and efficiency enhancement measures; (3) a year-on-year increase of RMB4.0 million in travelling expenses and consulting fees.

Other expenses

During the reporting period, the Group's other expenses were RMB18.1 million, representing an increase of RMB11 million, or 154.9%, from RMB7.1 million of the other expenses during the same period of 2020, which was primarily attributable to the increase of RMB10.8 million in bank charges as a result of the early repayment of financial lease facility from CNOOC Huahe.

Finance income and finance costs

During the reporting period, the Group's finance income amounted to RMB185.9 million (among which finance income from sizable certificate of deposit business amounted to RMB165.3 million), representing an increase of RMB66.6 million compared with RMB119.3 million (among which finance income from sizable certificate of deposit business amounted to RMB113.3 million) during the same period of 2020.

During the reporting period, the Group's finance costs amounted to RMB32.4 million, representing a decrease of RMB6.2 million from RMB38.6 million during the same period of 2020. This was mainly attributable to the decrease in finance costs resulting from the early repayment of finance lease facility of CNOOC Huahe and the decrease in undrawn finance lease facility of DYK.

During the reporting period, the Group had sound financial resources, mainly including bank borrowings and financings from other financial institutions.

Net exchange gains

During the reporting period, the Group recorded a net exchange gain of RMB0.7 million, representing an increase in gain of RMB0.6 million as compared with a net exchange gain of RMB0.1 million during the same period in 2020. It was mainly the exchange gain recorded in the Company's operating transactions attributable to exchange rate fluctuations.

Share of net profits/losses of associates and joint ventures

During the reporting period, the Group's share of profits of associates and joint ventures amounted to RMB1 million, representing an increase of RMB0.7 million in profits as compared with the share of profit of associates and joint ventures of RMB0.3 million during the same period of 2020. This was mainly attributable to: (1) an increase of RMB0.2 million for the first half of this year in the investment income recognised for CBC (Canada) Holding Corp. as compared with the same period of last year; (2) an increase of RMB1.1 million for the first half of this year in the investment income recognised for United Wealthfert Co., Ltd.; and (3) a decrease of RMB0.6 million for the year in the investment income recognised for Inner Mongolia Hong Feng Packaging Co., Ltd.

Income tax expenses

During the reporting period, the Group's income tax expenses were RMB395.8 million, representing an increase of RMB263 million from RMB132.8 million during the same period of 2020. This was mainly attributable to: (1) a year-on-year increase of profit before income tax of the Group, representing a corresponding increase of RMB112.1 million of the current income tax expenses; (2) an increase of RMB14.5 million in reversal of deferred income tax expenses provided by subordinate companies including CNOOC Huahe, DYK, CNOOC Tianye, Fudao, Guangxi Fudao and Jiantao (建滔) in the previous years; and (3) a reversal of RMB136.4 million of deferred income tax expenses due to the disposal of CNOOC Hualu Shanxi Coal Chemical Co., Ltd. (中海油華鹿山西煤炭化工有限公司) and Shanxi Hualu Yangpoquan Coal Mining Co., Ltd. (山西華鹿陽坡泉煤礦有限公司).

Net profit for the period

During the reporting period, the Group's net profit was RMB1,327.9 million, representing an increase of RMB1,028.3 million as compared with the net profit of RMB299.6 million during the same period of 2020.

Dividends

The board of directors of the Company (the "Board") did not recommend the payment of an interim dividend for the six months period ended 30 June 2021. During the reporting period, the Company distributed the dividend amounted to RMB368.8 million in cash for 2020.

Capital expenditure

During the reporting period, the total capital expenditure of the Group amounted to RMB466.5 million. Among them, RMB22.9 million was for scientific research (capitalized), RMB410.1 million was for the mid-downstream and ancillary projects, RMB9.4 million was for the purchase of equipment and upgrading and improvement projects, RMB21.8 million was for the energy saving and emission reduction projects, RMB1.0 million was for the information technology projects, and RMB1.3 million was for the purchase of electronic equipment projects.

Key projects mainly include: (1) RMB389.7 million for Acrylonitrile Project; (2) RMB18.3 million for DYK Chupi Mountain Phosphogypsum Dry Slag Yard Project (Phase I); (3) RMB18.8 million for CNOOC Tianye Drainage Upgrade and Renovation Project.

Pledge of assets

As of 30 June 2021, no property, plant and equipment was charged by the Group as collateral for bank borrowings.

Capital management

The primary objective of the Group's capital management is to maintain a strong credit ranking and sound capital structure in order to safeguard its normal production and operations and maximise shareholders' value. The Group manages its capital structure and makes timely adjustments in light of changes in economic conditions. To maintain or realign the capital structure, the Group may raise capital by way of new debts or issuance of new shares. As of 30 June 2021, the Group's total interest-bearing liabilities amounted to RMB921 million, of which RMB300 million were fixed-rate liabilities and the remaining were floating-rate liabilities. The gearing ratio of the Group as of 30 June 2021 (calculated as interest-bearing liabilities divided by the sum of total equity and interest bearing liabilities) was 5.4%.

Cash and cash equivalents

At the beginning of 2021, the Group's cash and cash equivalents were RMB2,765.4 million. During the first half of 2021, net cash inflow from operating activities amounted to RMB1,114.4 million, net cash outflow from investing activities amounted to RMB1,685.8 million, net cash outflow from financing activities amounted to RMB1,453.4 million, and the exchange rate changes resulted in an increase of RMB26.2 million in cash and cash equivalents. As of 30 June 2021, the Group's cash and cash equivalents amounted to RMB766.8 million. The Group maintained sufficient working capital to satisfy the fund requirement for its daily operation and future development.

Human resources and training

As of 30 June 2021, the Group had a total of 4,667 employees, and the remunerations and allowances of employees in the first half of 2021 amounted to RMB339.8 million in aggregate. The Group 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 effectively provides incentive to its staff. The Company determines staff remuneration according to their positions, performance and capability.

During the reporting period, the Company strictly followed the annual training plan, with a total of 41,281 enrolments and training time of 139,388 hours. Safety trainings include on-site safety education and three-level safety training (including contractors). The Company also organized and enrolled in a total of 4,656 network security trainings and external trainings, with a total of 62,436 enrolments and training time of 165,768 hours.

Market risks

The major market risks exposed to the Group are the changes in the selling prices of its products and in the costs of raw materials (mainly natural gas, coal, phosphate ore, liquid ammonia and sulphur), fuels (mainly natural gas and coal) and power.

Commodity price risk

The Group is also exposed to commodity price risk arising from changes in the selling prices of its products and the costs of raw materials and fuels.

Interest rate risk

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

Foreign exchange risk

The Group's sales revenue was primarily denominated in RMB and secondarily in USD. During the reporting period, the RMB to USD exchange rate ranged between 6.3572 and 6.5713. Fluctuations in the exchange rate between RMB and USD will affect the Group's revenue from the export sales of products and the import of equipment and raw materials.

Inflation and currency risk

According to the National Bureau of Statistics of China, the consumer price index of the PRC increased by 0.5% during the reporting period, which did not have any significant effect on the Group's operating results.

Subsequent events

Subsequent to the reporting period and up to the date of this announcement, the Group had no significant subsequent event.

Contingent liabilities

During the reporting period, the Group had no contingent liabilities.

Material litigation and arbitration

During the reporting period, the Group was not involved in any material litigation or arbitration.

Significant acquisition and disposal of subsidiaries and associates of the Company

In respect of the transfer of the 51% equity interest and the creditor's right of RMB61.47502275 million in CNOOC Hualu Shanxi Coal Chemical Co., Ltd. (中海油華鹿山西煤炭化工有限公司) and the 49% equity interests in Shanxi Hualu Yangpoquan Coal Mining Co., Ltd. (山西華鹿陽坡泉煤礦有限公司) through listing-for-sales, the transaction was completed in the reporting period.

Sector Outlook

In the second half of 2021, although the urea market will face pressure of downward adjustment in the short term, it, with strong support, is expected to see high market price and less fluctuation. In the short and medium term, the supply and demand of phosphate fertilisers will still maintain a tight balance, and the market will be subject to slight adjustments along with seasonal changes. Underpinned by positive macroeconomic expectations and robust oil prices, the methanol market is expected to be characterized by relatively strong price with fluctuation and adjustments, depending on whether the growth of oil prices would continue. For POM, focus should be casted on the impact of import on the supply of POM and downstream demand recovery.

Our Key Tasks in the second half of 2021

1. To strictly implement the normalization requirements for epidemic prevention and control to ensure safe production;
2. To improve fine operation and lean management to realize the safe and stable operation of each production plant;
3. To continuously improve the integrity management level of equipment and facilities and increase the management of contractors to facilitate cost reduction and efficiency enhancement;
4. To increase efforts on development of trading market for fertiliser and chemical products to strengthen the ability to increase the efficiency of selling and trading and enhance the profit margin of products;
5. To promote e-commerce work and enhance risk control capabilities and user stickiness;
6. To promote the construction of acrylonitrile project with high quality and efficiency;
7. To carefully formulate and release the 14th Five-Year Plan of the Company; and
8. To deeply explore feasible ways to make use of natural gas in the South China Sea, vigorously promote the research of carbon-rich natural gas utilization technology, and further promote green and low-carbon development.

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 2021. The Group's unaudited interim results for the six months ended 30 June 2021 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, the independent auditor, 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 2021, 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

At the annual general meeting of the Company held on 27 May 2021, Mr. Lin Feng and Mr. Xie Dong were appointed as an independent non-executive Director of the Company, respectively. At the Board meeting convened on the same day, Mr. Lin Feng was appointed as the chairman of the Remuneration Committee of the Board, a member of the Audit Committee of the Board, a member of the Nomination Committee of the Board and a member of the Investment Review Committee of the Board, Mr Xie Dong was appointed as the chairman of the Audit Committee of the Board, a member of the Remuneration Committee of the Board and a member of the Investment Review Committee of the Board.

Ms. Lee Kit Ying and Mr. Lee Kwan Hung, members of the Board of the fifth session, did not offer themselves as candidates for re-election as members of the Board of the new session due to other work commitments.

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 2021, all members of the Board and all Supervisors had complied with the required standards as set out in the Model Code.

Interests of Substantial Shareholders

As at 30 June 2021, 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 Securities and Futures Ordinance (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)
MGD Holdings (Note 2)	Interests in controlled corporation	277,062,000(L)	H Shares	15.64(L)	6.01(L)
Hermes Investment Management Ltd	Investment manager	201,156,075(L)	H Shares	11.36(L)	4.36(L)
Hermes Investment Funds PLC	Beneficial owner	143,333,345(L)	H Shares	8.09(L)	3.11(L)
Edgbaston Investment Partners LLP	Investment manager	106,376,000(L)	H Shares	6.01(L)	2.31(L)
Citigroup Inc. (Note 3)	Approved lending Agent	92,953,428(L)	H Shares	5.24(L)	2.02(L)
		985,398(S)		0.05(S)	0.02(S)
		91,963,913(P)		5.19(P)	1.99(P)

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

- (1) Mr. Guo Xinjun, a non-executive Director, is the deputy general manager of the strategy and planning department of CNOOC; and Mr. Liu Zhenyu, a non-executive Director, is also the deputy general manager of the finance and assets department of CNOOC.
- (2) MGD Holdings indirectly holds these shares through its wholly-owned subsidiaries, namely Daher Capital LTD and DFG LTD.
- (3) Citigroup Inc. 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 2021, 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 2021, 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 2021, 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 200,000 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 48, which comprise the condensed consolidated statement of financial position as of 30 June 2021 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, 27 August 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Notes	Six months ended	
		30 June 2021 RMB'000 (Unaudited)	30 June 2020 RMB'000 (Unaudited)
Revenue	4	6,109,852	4,971,572
Cost of sales		(4,665,038)	(4,286,245)
Gross profit		1,444,814	685,327
Other income	4	59,533	42,511
Other gains and losses	5	1,158	16,525
Selling and distribution costs		(217,820)	(224,952)
Administrative expenses		(229,927)	(189,860)
Other expenses		(18,135)	(7,057)
Change in fair value of financial assets at fair value through profit or loss		5,085	28,774
Finance income		185,904	119,283
Finance costs	6	(32,395)	(38,596)
Net exchange gains	7	667	127
Gain on disposal of a subsidiary	28	68,707	-
Gain on disposal of an associate	28	455,103	-
Share of profits/(losses) of joint ventures		99	(133)
Share of profits of associates		908	450
Profit before income tax	8	1,723,701	432,399
Income tax expenses	9	(395,776)	(132,783)
Profit for the period		1,327,925	299,616
Other comprehensive income for the period, net of tax			
Item that may be reclassified subsequently to profit or loss			
Exchange difference arising on translation of foreign operations		(227)	557
Share of other comprehensive income of joint ventures		1,149	(1,956)
Share of other comprehensive income of associates		-	55
Other comprehensive income for the period		922	(1,344)
Total comprehensive income for the period		1,328,847	298,272

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

For the six months ended 30 June 2021

	Notes	Six months ended	
		30 June 2021	30 June 2020
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Profit attributable to:			
Owners of the Company		1,245,766	309,939
Non-controlling interests		82,159	(10,323)
		<u>1,327,925</u>	<u>299,616</u>
Total comprehensive income attributable to:			
Owners of the Company		1,246,688	308,595
Non-controlling interests		82,159	(10,323)
		<u>1,328,847</u>	<u>298,272</u>
Earnings per share attributable to owners of the Company			
- Basic for the period (RMB per share)	10	0.27	0.07

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	6,304,990	6,532,764
Mining rights		131,265	131,862
Prepaid lease payments	12	539,210	546,770
Investment properties		90,782	93,500
Intangible assets		33,519	27,427
Investment in joint ventures	13	224,179	223,550
Investment in associates	14	35,927	35,019
Financial assets at fair value through other comprehensive income		600	600
Deferred tax assets	15	313,527	470,816
		7,673,999	8,062,308
CURRENT ASSETS			
Inventories	16	1,170,337	1,001,505
Trade receivables	17	395,340	25,082
Bills receivable	18	215,313	610,794
Contract assets		18,628	13,157
Prepayments, deposits and other receivables	19	1,127,826	426,519
Financial assets at fair value through profit or loss	20	705,085	-
VAT recoverable		382,878	234,980
Pledged bank deposits		7,350	7,350
Time deposits with original maturity over three months		8,200,000	7,400,000
Cash and cash equivalents	21	766,840	2,765,441
		12,989,597	12,484,828
A disposal group and a non-current asset classified as held for sale		-	200,632
		12,989,597	12,685,460
TOTAL ASSETS		20,663,596	20,747,768
EQUITY			
CAPITAL AND RESERVES			
Issued capital	22	4,610,000	4,610,000
Reserves		10,967,650	9,720,962
Proposed dividends	23	-	368,800
Equity attributable to owners of the Company		15,577,650	14,699,762
Non-controlling interests		1,028,546	928,375
TOTAL EQUITY		16,606,196	15,628,137

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - Continued

As at 30 June 2021

	Notes	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
LIABILITIES			
NON-CURRENT LIABILITIES			
Benefits liability		25,438	31,274
Interest-bearing bank and other borrowings	24	-	10,000
Lease liabilities		17,120	21,636
Deferred tax liabilities	15	17,176	14,456
Deferred revenue	25	118,903	123,474
Other long-term liabilities		16,271	16,080
		194,908	216,920
CURRENT LIABILITIES			
Trade payables	26	1,019,328	740,413
Contract liabilities		972,574	677,766
Other payables and accruals	27	761,117	1,456,746
Interest-bearing bank and other borrowings	24	921,113	1,940,971
Lease liabilities		9,078	5,126
Income tax payable		179,282	79,174
		3,862,492	4,900,196
Liabilities associated with a disposal group classified as held for sale		-	2,515
		3,862,492	4,902,711
TOTAL LIABILITIES		4,057,400	5,119,631
TOTAL EQUITY AND LIABILITIES		20,663,596	20,747,768
NET CURRENT ASSETS		9,127,105	7,782,749
TOTAL ASSETS LESS CURRENT LIABILITIES		16,801,104	15,845,057
NET ASSETS		16,606,196	15,628,137

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	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 2021	4,610,000	1,109,316	1,449,298	71,754
Profit for the period	-	-	-	-
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	-	-
Appropriation and utilisation of safety fund, net	-	-	-	12,064
2020 final dividends paid (Note 23)	-	-	-	-
Disposal of a subsidiary (Note 28)	-	-	-	-
Balance at 30 June 2021 (Unaudited)	4,610,000	1,109,316	1,449,298	83,818
Balance at 1 January 2020	4,610,000	1,109,316	1,420,561	51,041
Profit for the period	-	-	-	-
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	-	-
Appropriation and utilisation of safety fund, net	-	-	-	17,626
2019 final dividends paid (Note 23)	-	-	-	-
Dividends paid to non-controlling interests	-	-	-	-
Balance at 30 June 2020 (Unaudited)	4,610,000	1,109,316	1,420,561	68,667

Notes:

- 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
7,091,031	368,800	(437)	14,699,762	928,375	15,628,137
1,245,766	-	-	1,245,766	82,159	1,327,925
-	-	922	922	-	922
1,245,766	-	922	1,246,688	82,159	1,328,847
(12,064)	-	-	-	-	-
-	(368,800)	-	(368,800)	-	(368,800)
-	-	-	-	18,012	18,012
8,324,733	-	485	15,577,650	1,028,546	16,606,196
6,763,796	350,360	5,375	14,310,449	806,640	15,117,089
309,939	-	-	309,939	(10,323)	299,616
-	-	(1,344)	(1,344)	-	(1,344)
309,939	-	(1,344)	308,595	(10,323)	298,272
(17,626)	-	-	-	-	-
-	(350,360)	-	(350,360)	-	(350,360)
-	-	-	-	(45,488)	(45,488)
7,056,109	-	4,031	14,268,684	750,829	15,019,513

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended	
	30 June 2021	30 June 2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash from operating activities	1,114,416	219,852
Net cash from investing activities		
Interest received	111,493	67,765
Dividend received	619	-
Purchase of property, plant and equipment	(338,879)	(116,078)
Government grants received	16,227	5,984
Increase in time deposits	(800,000)	(500,000)
Purchase of financial assets at fair value through profit or loss	(700,000)	(3,300,000)
Disposal of financial assets at fair value through profit or loss	-	4,221,596
Proceeds from disposal of property, plant and equipment	4,708	480
Proceeds from disposal of a subsidiary	20,000	-
Net cash flow (used in)/generated from investing activities	(1,685,832)	379,747
Net cash from financing activities		
Dividends paid	(368,800)	(350,360)
Dividends paid to non-controlling interests	(13,445)	(45,488)
New bank and other borrowings raised	1,620,136	1,618,143
Repayment of bank and other borrowings	(2,649,000)	(1,594,000)
Interest paid	(32,637)	(38,533)
Payment of lease liabilities	(1,134)	(2,441)
Transaction charge for bank borrowings	(8,500)	(7,420)
Net cash flow used in financing activities	(1,453,380)	(420,099)
Net (decrease)/increase in cash and cash equivalents	(2,024,796)	179,500
Cash and cash equivalents at beginning of the period	2,765,441	824,096
Effect of foreign exchange rate changes	26,195	(629)
Cash and cash equivalents at end of the period	766,840	1,002,967
Analysis of cash and cash equivalents:		
Bank balances and cash	766,840	1,002,954
Bank balance and cash under a disposal group held for sale	-	13
	766,840	1,002,967

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

China BlueChemical Ltd. (the “**Company**”) was established in the PRC and the registered office of the Company is located at No.3, Park Third Road, Basuo Town, Dongfang City, Hainan Province, PRC. The 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 2021 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2020.

The IASB has issued new or amended International Financial Reporting Standard (“**IFRS**”) that is first effective on 1 January 2021 and is therefore applicable for the current accounting period of the Group.

Amendments to IFRS 9, IAS 39,
IFRS 7, IFRS 14 and IFRS 16

Interest Rate Benchmark Reform – Phase 2

The new or amended IFRS did not have any material impact on the group’s accounting policies.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2021

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 finance income, finance costs, net exchange gains, other gains and losses, other expenses, change in fair value of financial assets at fair value through profit or loss ("FVTPL"), gains on disposal of a subsidiary and an associate, share of profits/losses of associates and joint ventures 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 2021

3. OPERATING SEGMENT INFORMATION - Continued

	Urea RMB'000	Phosphorus and compound fertiliser RMB'000	Methanol RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Six months ended						
30 June 2021 (Unaudited)						
Segment revenue						
Sales to external customers	2,016,291	1,475,228	1,277,245	1,341,088	-	6,109,852
Inter-segment sales	-	-	-	320,281	(320,281)	-
Total	2,016,291	1,475,228	1,277,245	1,661,369	(320,281)	6,109,852
Segment profit/(loss) before income tax	490,688	203,344	376,292	(13,724)	-	1,056,600
Interest and unallocated income						192,147
Corporate and other unallocated expenses						(50,530)
Net exchange gains						667
Share of profits of joint ventures						99
Share of profits of associates						908
Gain on disposal of a subsidiary						68,707
Gain on disposal of an associate						455,103
Profit before income tax						1,723,701
Six months ended						
30 June 2020 (Unaudited)						
Segment revenue						
Sales to external customers	2,096,668	875,294	1,095,573	904,037	-	4,971,572
Inter-segment sales	-	-	-	197,728	(197,728)	-
Total	2,096,668	875,294	1,095,573	1,101,765	(197,728)	4,971,572
Segment profit/(loss) before income tax	338,419	(6,129)	20,981	(40,245)	-	313,026
Interest and unallocated income						164,582
Corporate and other unallocated expenses						(45,653)
Net exchange gains						127
Share of losses of joint ventures						(133)
Share of profits of associates						450
Profit before income tax						432,399

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2021

4. REVENUE AND OTHER INCOME

An analysis of revenue and other income is as follows:

	Six months ended	
	30 June 2021	30 June 2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods, recognised at a point in time*	5,933,779	4,758,028
Rendering of services, recognised overtime*	176,073	213,544
	6,109,852	4,971,572
Other income		
Income from sale of other materials, recognised at a point in time*	7,465	10,037
(Loss)/income from rendering of other services, recognised overtime*	(253)	10,585
Gross rental income	1,392	2,962
Government grants	20,789	17,760
Others	30,140	1,167
	59,533	42,511

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

5. OTHER GAINS AND LOSSES

	Six months ended	
	30 June 2021	30 June 2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Gain on disposal of financial assets at FVTPL	-	17,105
Reversal of impairment loss on other receivables	2,058	-
Loss on disposal of property, plant and equipment	(900)	(580)
	1,158	16,525

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2021

6. FINANCE COSTS

	Six months ended	
	30 June 2021	30 June 2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	31,825	37,963
Interest on lease liabilities	570	633
	32,395	38,596

7. NET EXCHANGE GAINS

	Six months ended	
	30 June 2021	30 June 2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Exchange gains	5,811	3,370
Exchange losses	(5,144)	(3,243)
	667	127

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2021

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 2021	30 June 2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	4,528,615	4,111,275
Cost of services provided	136,423	174,970
Cost of sales recognised as expenses	4,665,038	4,286,245
Depreciation and amortisation:		
Depreciation of property, plant and equipment	265,167	315,198
Depreciation of right-of-use assets included in:		
- Buildings	895	804
- Plant and machinery	1,393	1,963
- Prepaid lease payments	7,560	5,681
- Investment properties	2,718	2,756
Amortisation of mining rights	597	779
Amortisation of intangible assets	3,533	3,347
	281,863	330,528

9. INCOME TAX EXPENSES

	Six months ended	
	30 June 2021	30 June 2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
PRC Enterprise Income Tax	229,425	120,531
Under-provision in prior year	6,342	2,440
	235,767	122,971
Deferred tax (Note 15)	160,009	9,812
Total income tax expenses	395,776	132,783

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2021

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 the six months ended 30 June 2021 and 2020.

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 2021	30 June 2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit before income tax	1,723,701	432,399
Tax at the statutory tax rate of 25%	430,925	108,100
Tax effect of concessionary tax rate	(21,527)	(266)
Tax effect of share of profits of joint ventures and associates	(252)	(79)
Tax effect of revenue not taxable for tax purposes	(16,188)	-
Tax effect of expenses not deductible for tax purposes	6,356	1,245
Tax effect of tax losses not recognised	38,390	28,625
Tax effect of deductible temporary differences not recognised	3,956	-
Utilisation of tax losses not recognised	(52,226)	-
Utilisation of deductible temporary differences not recognized	-	(7,282)
Under-provision in respect of prior years	6,342	2,440
Income tax expenses	395,776	132,783
The Group's effective income tax rate	23%	31%

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2021

10. EARNINGS PER SHARE

	Six months ended	
	30 June 2021	30 June 2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
for the period attributable to owners of the Company	1,245,766	309,939
	Six months ended	
	30 June 2021	30 June 2020
	'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 2021 and 2020.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired property, plant and equipment including construction in progress with an aggregate cost amounting to RMB91,256,000 (six months ended 30 June 2020: RMB78,626,000). Property, plant and equipment with carrying amount of RMB41,950,000 (six months ended 30 June 2020: RMB1,080,000) were disposed of during the six months ended 30 June 2021.

12. PREPAID LEASE PAYMENTS

The Group did not acquire land use right during the six months ended 30 June 2021 and 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2021

13. INVESTMENT IN JOINT VENTURES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Cost of investment in joint ventures	265,299	265,299
Share of post-acquisition losses and other comprehensive income, net of dividends received	(41,120)	(41,749)
	224,179	223,550

The Group's other receivables with its joint ventures were disclosure in Note 19.

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

Name of the entity	Place and date of incorporation and operation	Registered capital '000	Direct Indirect	Percentage of equity interest attributable to the Company		Principal activities
				30 June 2021 %	31 December 2020 %	
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	Direct Indirect	41.26 -	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	Direct Indirect	60.00 -	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 5 June 1981	RMB5,000	Direct Indirect	- 36.56	- 36.56	Provision of overseas shipping services

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2021

14. INVESTMENT IN ASSOCIATES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Cost of investment in associates	33,031	670,031
Share of post-acquisition profits and other comprehensive income, net of dividends received	2,896	(453,115)
Transfer to a non-current asset classified as held for sale	-	(181,897)
	35,927	35,019

The Group's trade receivables, other receivables, trade payables and other payables with its associates were disclosed in Notes 17, 19, 26 and 27 respectively.

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

Name of the entity	Place and date of incorporation and operation	Registered capital '000	Percentage of equity interest attributable to the Company	Principal activities	
				30 June 2021 %	31 December 2020 %
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 3 August 2001	RMB52,000	Direct Indirect - -	49.00 -	Mining and sale of coal
中國八所外輪代理有限責任公司 (transliterated as China Basuo Overseas Shipping Agency Co., Ltd.)	PRC 16 October 2000	RMB1,800	Direct Indirect - 36.56	- 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	Direct Indirect - 45.21	- 45.21	Manufacture and sale of woven plastic bags
聯合惠農農資(北京)有限公司 (transliterated as United Agricultrual Means of Production (Beijing) Co., Ltd.)	PRC 7 June 2016	RMB100,000	Direct Indirect - 30.00	- 30.00	Merchandising

Note: The associate was disposed during the six months ended 30 June 2021. Details of the transaction are disclosed in Note 28 to the condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2021

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 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Deferred tax assets	313,527	470,816
Deferred tax liabilities	(17,176)	(14,456)
	296,351	456,360

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2021

15. DEFERRED TAX ASSETS/LIABILITIES - Continued

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 2020							
(Audited)	17,134	445,094	14,315	(19,382)	22,153	5,444	484,758
(Charge)/credit to profit or loss	-	(9,724)	-	953	567	(1,608)	(9,812)
Transfer to liabilities associated with a disposal group classified as held for sale	-	-	-	2,309	-	-	2,309
At 30 June 2020							
(Unaudited)	17,134	435,370	14,315	(16,120)	22,720	3,836	477,255
(Charge)/credit to profit or loss	822	(6,374)	(14,315)	1,664	(11,819)	9,127	(20,895)
At 31 December 2020 and 1 January 2021							
(Audited)	17,956	428,996	-	(14,456)	10,901	12,963	456,360
(Charge)/credit to profit or loss	(21,323)	(130,142)	-	647	(10,901)	1,710	(160,009)
At 30 June 2021							
(Unaudited)	(3,367)	298,854	-	(13,809)	-	14,673	296,351

As at 30 June 2021, the Group has unused tax losses of RMB1,295,410,000 (31 December 2020: RMB RMB1,538,368,000) available for offset against future profits, no deferred tax asset has been recognised in respect of such losses (31 December 2020: a deferred tax asset has been recognised in respect of RMB43,604,000 of such losses. No deferred tax asset has been recognised in respect of the remaining RMB1,494,764,000). Included in unrecognised tax losses are losses of RMB1,295,410,000 (31 December 2020: RMB1,494,764,000) that will expire in 5 years.

At the end of the reporting period, the Group has deductible temporary differences of RMB725,086,000 (31 December 2020: RMB709,261,000). 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 2021

16. INVENTORIES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Raw materials and spare parts	486,424	522,564
Work in progress	132,783	145,064
Finished goods	554,380	337,175
	1,173,587	1,004,803
Write-down	(3,250)	(3,250)
Transfer to a disposal group classified as held for sale	-	(48)
Net realisable value	1,170,337	1,001,505

17. TRADE RECEIVABLES

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

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade receivables	395,489	25,844
Less: expected credit losses ("ECLs")	(149)	(762)
	395,340	25,082

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2021

17. TRADE RECEIVABLES - Continued

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within six months	395,340	24,992
Over six months but within one year	-	90
	395,340	25,082

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Balance at beginning of the period/year	762	762
Written off of during the period/year	(613)	-
Balance at end of the period/year	149	762

The ECLs are assessed collectively for receivables that were neither past due nor impaired and individually for impaired trade receivables with an aggregate carrying amount of RMB149,000 (31 December 2020: RMB762,000).

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Neither past due nor impaired	395,340	25,082

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2021

17. TRADE RECEIVABLES - Continued

As at 30 June 2021, the amounts due from the ultimate holding company, its subsidiaries and associates (other than the ultimate holding company collectively referred to as the “CNOOC group companies”) and associates included in the above trade receivables, which are unsecured, non-interest-bearing and repayable on similar credit terms to those offered to the major customers of the Group, can be analysed as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
CNOOC group companies	272,836	5,632
Associates	1,716	3,206
	<u>274,552</u>	<u>8,838</u>

18. BILLS RECEIVABLE

The bills receivable of the Group as at 30 June 2021 and 31 December 2020 were all mature within twelve months.

As at 30 June 2021, the Group has transferred bills receivables having maturity less than twelve months from the reporting dates to its suppliers to settle its payables through endorsing the bills to its suppliers amounted to RMB189,194,000 (31 December 2020: RMB168,086,000). 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 2021, the Group's maximum exposure to loss, which is 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 RMB189,194,000 (31 December 2020: RMB168,086,000).

The fair value of bills receivable are close to their carrying amounts given all bills receivable will mature within twelve months.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2021

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Prepayments	734,137	162,160
Deposits and other receivables	397,653	285,665
Less: ECLs	<u>(3,964)</u>	<u>(15,153)</u>
	1,127,826	432,672
Transfer to a disposal group classified as held for sales	<u>-</u>	<u>(6,153)</u>
	<u>1,127,826</u>	<u>426,519</u>

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Balance at beginning of the period/year	15,153	15,153
Reversal of ECLs	(2,058)	-
Written-off of ECLs	<u>(9,131)</u>	<u>-</u>
Balance at end of the period/year	<u>3,964</u>	<u>15,153</u>

The impairment loss recognised relates to the ECLs on certain 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2021

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES - Continued

The amounts due from the ultimate holding company, CNOOC group companies, associates, joint venture and the Company's subsidiaries' non-controlling shareholders and the non-controlling shareholders' subsidiaries (the "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 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Ultimate holding company	4	31
CNOOC group companies	51,781	20,832
Associates	1,392	3,175
Joint venture	-	342
Other Related Parties	231	-
	53,408	24,380

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Wealth management products	705,085	-

Financial assets at FVTPL represent wealth management products in licensed bank. No gain on disposal of financial assets at FVTPL was recognized for the six months ended 30 June 2021 (six months ended 30 June 2020: RMB17,105,000). The wealth management products will mature on 12 October 2021. (31 December 2020: all the wealth management products were matured during the year).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2021

21. CASH AND CASH EQUIVALENT

The Group's bank balances and cash were denominated in RMB as at 30 June 2021 and 31 December 2020, except for amounts of RMB1,746,000 (31 December 2020: RMB27,751,000) which was translated from US\$270,231 (31 December 2020: US\$4,253,000) and RMB46,000 (31 December 2020: RMB6,000) which was translated from HK\$54,633 (31 December 2020: HK\$7,000).

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

As at 30 June 2021, included in the Group's cash and cash equivalents were RMB393,327,000 (31 December 2020: RMB143,007,000) deposited in CNOOC Finance Corporation Limited ("CNOOC Finance"), a licensed financial institution, which is a subsidiary of the ultimate holding company.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates.

22. ISSUED CAPITAL

	Number of shares	Nominal value
Registered capital	<u>4,610,000</u>	<u>4,610,000</u>
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	<u>1,771,000</u>	<u>1,771,000</u>
As at 30 June 2021 (unaudited)		
and 31 December 2020 (audited)	<u>4,610,000</u>	<u>4,610,000</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2021

23. 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 2021, a final dividend of RMB0.080 per share in respect of the year ended 31 December 2020 (six months ended 30 June 2020: a final dividend of RMB0.076 per share in respect of the year ended 31 December 2019) was declared and paid to the owners of the Company. The dividend declared and paid during the six months ended 30 June 2021 amounted to RMB368,800,000 (six months ended 30 June 2020: RMB350,360,000).

The board of directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: RMBNil).

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

As at 30 June 2021, bank borrowings of RMB921,113,000 (31 December 2020: RMB1,073,103,000) were unsecured with effective interest rates of 3.40%-4.41% per annum (31 December 2020: 3.37%-4.41%), payable within 2021 and 2022 (31 December 2020: payable within 2021 and 2022). The amounts due were based on the scheduled repayment dates set out in the loan agreements.

As at 31 December 2020, other borrowing of RMB877,868,000 were due to CNOOC International Financial Leasing Limited (“**CNOOC Leasing**”) with interest rates of 4.30% per annum and secured by certain property, plant and equipment amounted to RMB901,218,000.

25. 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 2021

26. TRADE PAYABLES

The trade payables are unsecured, non-interest-bearing and are normally settled in 30 to 180 days. An aging analysis of trade payables of the Group, based on invoice date, is as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within six months	810,163	721,388
Over six months but within one year	201,080	8,101
Over one year but within two years	5,617	7,018
Over two years but within three years	2,080	1,560
Over three years	388	2,346
	1,019,328	740,413

As at 30 June 2021, the amounts due to CNOOC group companies and associates included in the above, which are unsecured, non-interest bearing and have no fixed repayment terms, can be analysed as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
CNOOC group companies	271,428	364,102
Associates	1,356	1,413
	272,784	365,515

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2021

27. OTHER PAYABLES AND ACCRUALS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Accrued payroll	166,181	142,350
Other payables	342,336	273,678
Dividends payable	-	13,445
Payables to government	18,603	18,603
Other tax payables	29,004	41,934
Port construction fee payable	158,773	158,773
Payables in relation to the construction and purchase of property, plant and equipment	46,220	89,103
Deposit received	-	719,066
	761,117	1,456,952
Transfer to liabilities associated with a disposal group classified as held for sale	-	(206)
	761,117	1,456,746

As at 30 June 2021, the amounts due to ultimate holding company, CNOOC group companies, associate 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 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Ultimate holding company	-	180
CNOOC group companies	61,933	35,444
Associates	18,609	-
Other Related Parties	7,021	5,148
	87,563	40,772

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2021

28. DISPOSAL OF A SUBSIDIARY AND AN ASSOCIATE

The Group has entered into 2 equity transaction agreements dated on 18 June 2020 with 河曲縣泰陽煤業有限公司 (transliterated as Hequ Taiyang Coal Industry Co., Ltd.) (the “Purchaser”) to dispose (i) the Group’s 51% equity interest in a subsidiary, CNOOC Hualu Shanxi Coal Chemical Co. Ltd. (“CNOOC Hualu”), which under other segment; and (ii) 49% equity interest in an associate, Yangpoquan Coal, at considerations of RMB102,066,000 and RMB637,000,000 respectively. The disposals were completed on 21 January 2021.

(a) Disposal of a subsidiary

The net assets of CNOOC Hualu at the date of disposal were as follow:

	RMB’000
	(Unaudited)
Net assets disposed of:	
Cash and cash equivalents	4
Prepayments, deposits and other receivables	6,153
Inventories	48
Property, plant and equipment	3,293
Intangible assets	9,237
Other payables and accruals	(206)
Interest-bearing bank borrowings	(182)
Deferred tax liabilities	(3,000)
	<u>15,347</u>
Non-controlling interests	18,012
Consideration	<u>(102,066)</u>
Gain on disposal of a subsidiary	<u>(68,707)</u>
Satisfied by:	
Deposit received	82,066
Cash consideration received during the period	20,000
Cash and cash equivalents disposed of	<u>(4)</u>
Net cash inflow arising on disposal	<u>102,062</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2021

28. DISPOSAL OF A SUBSIDIARY AND AN ASSOCIATE - Continued

(b) Disposal of an associate

	RMB'000
	(Unaudited)
Investment in an associate	181,897
Consideration	<u>(637,000)</u>
Gain on disposal of an associate	<u>(455,103)</u>
Net cash inflow arising on disposal satisfied by:	
Deposit received	<u>637,000</u>

29. 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 2021 and 31 December 2020, the Group had the following capital commitments:

	30 June 2021	31 December 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Contracted, but not provided for acquisition of plant and machinery	<u>25,170</u>	105,653

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2021

30. RELATED PARTY TRANSACTIONS

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

	Six months ended	
	30 June 2021 RMB'000 (Unaudited)	30 June 2020 RMB'000 (Unaudited)
(A) Included in revenue and other income		
(a) CNOOC group companies		
Sale of goods	355,120	179,758
Provision of packaging and assembling services	44,369	45,170
Provision of transportation services	76	45
Provision of logistics services	10,932	10,408
Provision of lease of property and land	61	2,590
	410,558	237,971
(b) Other Related Parties		
Sale of goods	103,492	85,348
Provision of transportation services	423	5,492
	103,915	90,840
(B) Included in cost of sales and other expenses		
(a) CNOOC group companies		
Purchase of raw materials	1,145,544	1,449,269
Labour services	55,832	55,797
Construction and installation services	21,261	443
Lease of offices	12,228	13,236
Logistics services	3,069	510
Network services	3,933	114
	1,241,867	1,519,369
(b) Other Related Parties		
Purchase of raw materials	-	15,114
(C) Included in finance income/costs		
(a) CNOOC Finance		
Finance income	1,944	2,137
Fees and charges	3,266	21
(b) CNOOC Leasing		
Interest on bank borrowings	13,108	16,086
Fees and charges	12,520	5,405

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2021

30. RELATED PARTY TRANSACTIONS - Continued

(2) Balances with related parties

Details of the following balances are set out in trade receivables (Note 17), contract assets, prepayments, deposits and other receivables (Note 19), interest-bearing bank and other borrowings (Note 24), trade payables (Note 26), contract liabilities and other payables and accruals (Note 27) to the condensed consolidated financial statements. The balance with CNOOC Finance resulted from interest and loans. Others 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 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Ultimate holding company	4	31	-	180
CNOOC group companies	340,628	39,621	582,555	407,316
Associates	4,014	6,381	51,058	10,764
Joint venture	-	342	-	-
CNOOC Leasing	-	-	-	877,868
Other Related Parties	231	-	7,291	5,187
			30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Deposits placed by the Group with CNOOC Finance			393,327	143,007

(3) Compensation of key management personnel of the Group

	Six months ended	
	30 June 2021 RMB'000 (Unaudited)	30 June 2020 RMB'000 (Unaudited)
Short-term employee benefits	1,005	2,393
Post-employment benefits	141	64
	1,146	2,457

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2021

30. 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 2021 and 31 December 2020 are summarised below:

	30 June 2021 RMB’000 (Unaudited)	31 December 2020 RMB’000 (Audited)
Cash and cash equivalents	766,458	2,765,302
Pledged bank deposits	7,350	7,350
Time deposits	8,200,000	7,400,000
	8,973,808	10,172,652
Interest-bearing bank borrowings	547,804	1,950,971

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2021

31. 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 was 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.

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

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 in active markets for identical items (unadjusted);

Level 2: Observable direct or indirect inputs other than Level 1 inputs; and

Level 3: Unobservable inputs (i.e. not derived from market data).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2021

31. FINANCIAL INSTRUMENTS - Continued

(b) Financial instruments measured at fair value - Continued

	30 June 2021		
	Unaudited		
	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTPL			
-Wealth management products	705,085	-	705,085
Financial assets at FVOCI			
-Unlisted equity investment	-	600	600
-Bills receivable	-	215,313	215,313
	31 December 2020		
	Audited		
	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVOCI			
-Unlisted equity investment	-	600	600
-Bill receivable	-	610,794	610,794

During the six months ended 30 June 2021 and 30 June 2020, 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.

32. EVENTS AFTER THE REPORTING PERIOD

There is no material event after the reporting period.

33. APPROVAL OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorised for issue by the board of directors on 27 August 2021.

Company Information

Registered Office	No.3, Park Third Road, Basuo Town, 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.3, Park Third Road, Basuo Town, 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
Authorized representatives	Wang Weimin Wu Xiaoxia
Alternate to authorized representatives	Song Xin
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
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