



中海石油化学股份有限公司
China BlueChemical Ltd.

中期報告 INTERIM REPORT

2022



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

股票代碼
HKSE CODE
3983

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Financial Highlights

Selected data of condensed consolidated statement of profit or loss

For the six months ended 30 June 2022

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

Selected data	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Revenue	7,370,785	6,109,852
Cost of sales	(5,962,735)	(4,824,625)
Gross profit	1,408,050	1,285,227
Other income, other gains and losses	67,359	60,691
Selling and distribution costs	(59,139)	(58,233)
Administrative expenses	(251,358)	(229,927)
Other expenses	(20,610)	(18,135)
Change in fair value of financial assets at fair value through profit or loss	14,826	5,085
Finance income	152,152	185,904
Finance costs	(13,576)	(32,395)
Net exchange gains/(losses)	(3,502)	667
Gain on disposal of a subsidiary	-	68,707
Gain on disposal of an associate	-	455,103
Share of (losses)/profits of joint ventures	(569)	99
Share of profits/(losses) of associates	2,333	908
Profit before income tax	1,295,966	1,723,701
Income tax expenses	(249,940)	(395,776)
Profit for the period	1,046,026	1,327,925
Profit for the period attributable to:		
Owners of the Company	936,965	1,245,766
Non-controlling interests	109,061	82,159
	1,046,026	1,327,925
Earnings per share attributable to ordinary owners of the Company		
- Basic for the period (RMB per share)	0.20	0.27

Selected data of condensed consolidated statement of financial position

As at 30 June 2022

(All amounts expressed in thousands of Renminbi)

Selected data	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Assets		
Non-current assets	8,088,539	7,969,967
Current assets	13,942,922	13,461,611
Total assets	22,031,461	21,431,578
Equity and liabilities		
Total equity	17,088,545	16,914,674
Non-current liabilities	1,435,739	1,074,865
Current liabilities	3,507,177	3,442,039
Total equity and liabilities	22,031,461	21,431,578

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 (%)		
		2022	2021	Change %	2022	2021	Change
Chemical Fertilisers							
Urea	Fudao Phase I	273,664	306,471	(10.7)	105.3	117.9	(12.6)
	Fudao Phase II	324,407	380,834	(14.8)	81.1	95.2	(14.1)
	CNOOC Tianye	-	-	-	0.0	0.0	0.0
	CNOOC Huahe	310,945	317,158	(2.0)	119.6	122.0	(2.4)
	Group total	909,015	1,004,463	(9.5)	77.0	85.1	(8.1)
Phosphate Fertilisers and Compound Fertilisers	DYK MAP	45,542	35,263	29.1	60.7	47.0	13.7
	DYK DAP Phase I (Note 1)	185,272	152,061	21.8	105.9	86.9	19.0
	DYK DAP Phase II	291,400	322,712	(9.7)	116.6	129.1	(12.5)
	Group total	522,214	510,036	2.4	104.4	102.0	2.4
Chemical Products							
Methanol	Hainan Phase I	336,023	240,040	40.0	112.0	80.0	32.0
	Hainan Phase II	437,434	362,416	20.7	109.4	90.6	18.8
	CNOOC Tianye	-	-	-	0.0	0.0	0.0
	Group total	773,457	602,456	28.4	96.7	75.3	21.4
POM	CNOOC Tianye POM	5,178	17,375	(70.2)	25.9	86.9	(61.0)
	Group total	5,178	17,375	(70.2)	25.9	86.9	(61.0)

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

		For the six months ended 30 June		
		2022	2021	Change %
Chemical Fertilisers				
Urea	Fudao Phase I	277,309	290,823	(4.7)
	Fudao Phase II	334,432	393,886	(15.1)
	CNOOC Tianye	-	284	(100.0)
	CNOOC Huahe	337,397	338,780	(0.4)
	Group total	949,139	1,023,773	(7.3)
Phosphate Fertilisers and Compound Fertilisers	DYK MAP	45,843	32,803	39.8
	DYK DAP Phase I (Note 1)	209,483	171,478	22.2
	DYK DAP Phase II	259,796	349,534	(25.7)
	Group total	515,122	553,815	(7.0)
Chemical Products				
Methanol	Hainan Phase I	316,768	238,168	33.0
	Hainan Phase II	405,393	339,884	19.3
	CNOOC Tianye	-	-	-
	Group total	722,161	578,052	24.9
POM	CNOOC Tianye POM	3,484	17,410	(80.0)
	Group total	3,484	17,410	(80.0)

Note 1: In the first half of 2022, the DYK DAP Phase I Plant produced 6,983 tonnes of DAP and 178,289 tonnes of compound fertilisers, amounting to 185,272 tonnes in total, and sold 9,621 tonnes of DAP and 199,862 tonnes of compound fertilisers, amounting to 209,483 tonnes in total. 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.

CEO's Report

Dear shareholders,

In the first half of the 2022, the Company adopted a financial perspective towards all production and operation activities without compromising social responsibility. The Company responded to the requirements of “guarding against the pandemic, keeping the economy steady and achieving safe development” by further improving the standards of its production management. It gave full play to its marketing business as the “second engine” through scientific pricing, optimisation of sales channels, exploration of product brand premium and realisation of the value of marketing. The Company also significantly enhanced the effectiveness of corporate management with its continued efforts in cost reduction and efficiency enhancement. For the first half of the year, the Company realised a revenue of RMB7,371 million, representing a growth of 20.6% over the corresponding period of last year. Profit attributable to owners of the Company was recorded at RMB937 million which, when excluding all one-off factors, was above the level of the corresponding period of last year and the best performance for the same period since 2013.

The Company has been consistently upholding a philosophy of green and sustainable development. It was the eleventh consecutive year that the Company has been awarded the Benchmark Enterprise of Leading Energy Efficiency in the methanol industry by China Petroleum and Chemical Industry Federation. Against the backdrop of “dual carbon” goals, the Company actively conducted research activities on comprehensive utilisation of natural gas with high CO₂ content and entered into a joint development agreement with BASF and Wuhuan Engineering, with an aim to position itself as the first mover in large-scale CO₂ utilisation. In the first half of the year, the Company reduced 34 thousand tonnes of carbon emissions.

Review of the first half of the year

During the reporting period, the Company continuously strengthened its management and control over production operation by carrying out large-scale safety inspections and hidden danger investigations and treatments. Steady improvement was made in production safety in general. The Fudao Phase I and Fudao Phase II urea plants completed their respective annual plant overhauls as scheduled with the required quality. The Hainan Phase I and Hainan Phase II methanol plants recorded the highest output volume for the corresponding periods in the recent 5 years. In the first half of the year, the Company produced 909 thousand tonnes of urea, 773 thousand tonnes of methanol, 522 thousand tonnes of phosphate fertilisers and compound fertilisers and 5 thousand tonnes of POM.

In respect of marketing, riding on the rising trend in prices of chemical fertilisers and chemical products, the Company became a market leader in terms of methanol prices and realized due interest through proper pricing of chemical fertilisers. The quality of self-operated business was further improved and the scale of it was further expanded, reflecting the marketing value contribution. The Company sold 949 thousand tonnes of urea, 722 thousand tonnes of methanol, 515 thousand tonnes of phosphate fertilisers and compound fertilisers and 3,484 tonnes of POM. Attributable to the continued efforts of the Company in product portfolio optimisation, sales volume of value-added products hit a record high, with a year-on-year increase of 73 thousand tonnes recorded.

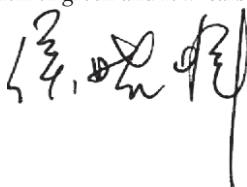
The construction and preparation work for production of the Company's key acrylonitrile project were smoothly underway and the milestone targets were essentially achieved. The Company has been actively working on the acquisition of Orient Petrochemical and made substantive progress on the transfer of equity interests in DYK Chemical and CNOOC Tianye.

Outlook for the second half of 2022

Looking forward to the second half of the year, as the domestic demand is traditionally low in the third quarter, the domestic urea market may possibly face significant price mark-downs. Subject to the supply of natural gas and the scale of off-season reserve, the urea market may stabilize and rebound in the fourth quarter. Given the reduction in prices of main raw materials, the supply of phosphate fertilisers is expected to loosen up in the domestic market, which will exert a greater pressure on the domestic sales, and the prices will thereby start to go down with fluctuations along with the costs. As for methanol, the excessive methanol supply over demand is expected to continue. Dampened by deteriorating macro views, the market will mainly be under weak fluctuation adjustments. The POM market is expected to see a more adequate supply and the key concern will be whether the downstream demand can be restored.

In the second half of the year, the Company will strictly implement normalization requirements of epidemic prevention and control, and endeavour to achieve safe and stable operation for all production plants. The Company will strengthen the management, maintenance and overhauling of outdated equipments, and address bottleneck issues with consolidated technical skills. The Company will also further enhance the ability to study and judge the market, promote brand building, enlarge green value-added fertilisers and gain a greater say. For the acrylonitrile project, successful trial operation will be ensured and the Company will get well-prepared for its production and sales. Furthermore, the Company will push forward the project in Xingang Zone of Basuo Port in relation to the construction of a petrochemical wharf with a throughput of 20 thousand tonnes, actively proceed with the acquisition of Orient Petrochemical, and complete the transfer of equity interests in DYK Chemical and CNOOC Tianye in a steady manner. The research of carbon-rich natural gas utilisation technology will be accelerated. The Company will strive to pursue further cooperation with BASF and Wuhuan Engineering and master more advanced technology of carbon sequestration for the promotion of green and low-carbon development.

Hou Xiaofeng
Chief Executive Officer (CEO), President



Management Discussion and Analysis

Sector Review

Chemical fertiliser industry

In the first half of the year, international geopolitical issues heightened global market concerns over the supply of chemical fertilisers and rising grain prices. Ensuring grain safety has become more crucial and the importance of chemical fertiliser supply to guarantee grain production was further amplified. Meanwhile, thanks to the efforts of the Chinese government in continuously implementing the policy of reducing the use and enhancing the efficiency of chemical fertilisers and vigorously promoting environmental protection, the pace of phasing out enterprises with backward or limited production capacity was accelerated in the chemical fertiliser industry with a gradual improvement in the demand-supply balance.

(I) Urea

In the first half of 2022, the urea market demonstrated an overall upward trend as both demand and supply boomed. The market prices of domestic urea fluctuated in a rising trend during the first quarter of the year under the combined effect of increasing demand and tight supply in domestic and overseas markets. The market experienced explosive growth in the demand from industrial and agricultural industries in the second quarter, which was due to the fact that it was the peak demand season for agriculture as well as the high operation rate of compound fertiliser companies. The overall domestic urea market therefore delivered strong performance with the highest ex-factory price of urea exceeding RMB3,300 per tonne. In mid-to-late June when the farming season was drawing to an end and the demand from the industrial and agricultural industries pulled back, the domestic urea market was weakened and there were substantial downward adjustments in urea prices.

(II) Phosphate fertilisers

The phosphate fertiliser market went through a consolidation, followed by an upward trend in the first half of 2022. In the first quarter of the year, energy supply tightened in European countries amid geopolitical conflicts, which led to an upsurge in the production costs in Europe, North Africa and other main phosphate fertiliser producing regions and, in turn, a continuous escalation in phosphate fertiliser prices. Since the start of the second quarter, domestic DAP prices have risen along with the costs by approximately RMB1,200 per tonne and its ex-factory prices in central China reached RMB4,700–RMB4,800 per tonne.

In the first half of the year, MAP and DAP prices in the domestic market surged significantly. The mainstream ex-factory prices of MAP and DAP both increased by over RMB1,000 from approximately RMB2,800 per tonne and approximately RMB3,500 per tonne, respectively, in the beginning of the year to RMB4,300 per tonne and RMB4,700 per tonne, respectively, at the end of June.

Chemical industry

In the first half of 2022, market prices of chemical products fluctuated widely under the impact of various uncertainties. The global energy supply was relatively tight and Russia-Ukraine conflict boosted oil prices, fuelling an upward movement in the prices of chemical products. As the macro outlook deteriorated and the COVID pandemic persisted, transmissions along the industrial supply chain were interrupted and the support from demand became relatively weak, resulting in a decline in market prices with volatility.

(I) Methanol

In the first half of the year, the new domestic production capacity of methanol was approximately 1.70 million tonnes and its domestic production volume increased by 640 thousand tonnes or approximately 1.84% over the corresponding period of last year to approximately 35.43 million tonnes. The import volume was approximately 6.12 million tonnes, representing an increase of 270 thousand tonnes or 4.61% over the corresponding period of last year.

The overall methanol market prices suffered a plunge after soaring high in the first half of the year. The market supply and demand were relatively balanced during the first quarter of the year with methanol market prices rising in fluctuation. In particular, the market prices in Guangdong ranged from RMB2,510 to RMB3,330 per tonne and the methanol prices in Inner Mongolia ranged from RMB1,850 to RMB2,860 per tonne. Due to insufficient demand support, gradually increasing import supply and higher port inventory levels, market prices experienced downward fluctuations in the second quarter. The market prices in Guangdong ranged from RMB2,570 to RMB3,010 per tonne and the methanol prices in Inner Mongolia ranged from RMB2,280 to RMB2,725 per tonne.

(II) POM

In the first half of 2022, POM production recorded good profit. However, the output in the first half of 2022 decreased by 8.3% as compared to the corresponding period of last year, which was attributable to the increase in net import volume and

the limited demand from downstream industries.

The domestic POM prices remained high in the first half of 2022, during which the overall prices initially rose up and ended with a fall. The market performance was strong and prices were on the rise in the first quarter as it was the peak season for POM sales. However, the prices started to edge down from the beginning of the second quarter due to insufficient demand amid the COVID pandemic and the limited acceptability of downstream industries towards high price levels.

Business Review

During the reporting period, the Company strengthened its management and control over production operation by carrying out large-scale safety inspections and hidden danger investigations and treatments. Steady improvement was made in production safety in general. The Fudao Phase I and Fudao Phase II urea plants completed their respective annual plant overhauls as scheduled with the required quality. The Hainan Phase I and Hainan Phase II methanol plants recorded the highest output volume for the corresponding periods in the recent 5 years. In the first half of the year, the Company produced 909 thousand tonnes of urea, 773 thousand tonnes of methanol, 522 thousand tonnes of phosphate fertilisers and compound fertilisers and 5 thousand tonnes of POM.

During the first half of the year, the Company further unlocked the function of marketing as its “second engine”. Riding on the rising trend in prices of chemical fertilisers and chemical products, the Company became a market leader in terms of methanol prices and realized due interest through proper pricing of chemical fertilisers. The quality of self-operated business was further improved and the scale of it was further expanded, reflecting the marketing value contribution. The Company sold 949 thousand tonnes of urea, 722 thousand tonnes of methanol, 515 thousand tonnes of phosphate fertilisers and compound fertilisers and 3,484 tonnes of POM. Attributable to the continued efforts of the Company in product portfolio optimisation, sales volume of value-added products hit a record high, with a year-on-year increase of 73 thousand tonnes recorded.

The construction and preparation work for production of the Company’s key acrylonitrile project were smoothly underway and the milestone targets were essentially achieved. The Company has been actively working on the acquisition of Orient Petrochemical and made substantive progress on the transfer of equity interests in DYK Chemical and CNOOC Tianye.

In the first half of the year, the Company actively promoted the “Dual Carbon Action Plan” and timely completed the dual-carbon quota task of the Company, allowing it to maintain its position as an industry leader in terms of energy efficiency indicators.

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					
	2022			2021		
	Production volume (tonnes)	Sales volume (tonnes)	Utilisation rate (%)	Production volume (tonnes)	Sales volume (tonnes)	Utilisation rate (%)
Chemical fertilisers						
Urea						
Fudao Phase I	273,664	277,309	105.3	306,471	290,823	117.9
Fudao Phase II	324,407	334,432	81.1	380,834	393,886	95.2
CNOOC Tianye	-	-	0.0	-	284	0.0
CNOOC Huahe	310,945	337,397	119.6	317,158	338,780	122.0
Group total	909,015	949,139	77.0	1,004,463	1,023,773	85.1
Phosphate fertilisers and Compound fertilisers						
DYK MAP	45,542	45,843	60.7	35,263	32,803	47.0
DYK DAP Phase I (Note 1)	185,272	209,483	105.9	152,061	171,478	86.9
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Group total	522,214	515,122	104.4	510,036	553,815	102.0
Chemical products						
Methanol						
Hainan Phase I	336,023	316,768	112.0	240,040	238,168	80.0
Hainan Phase II	437,434	405,393	109.4	362,416	339,884	90.6
CNOOC Tianye	-	-	0.0	-	-	0.0
Group total	773,457	722,161	96.7	602,456	578,052	75.3
POM						
CNOOC Tianye POM	5,178	3,484	25.9	17,375	17,410	86.9
Group total	5,178	3,484	25.9	17,375	17,410	86.9

Note 1: In the first half of 2022, the DYK DAP Phase I Plant produced 6,983 tonnes of DAP and 178,289 tonnes of compound fertilisers, amounting to 185,272 tonnes in total, and sold 9,621 tonnes of DAP and 199,862 tonnes of compound fertilisers, amounting to 209,483 tonnes in total. 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.

BB fertilisers

In the first half of 2022, the Group produced a total of 12,644 tonnes of BB fertilisers with a sales volume of 12,031 tonnes.

Financial Review

Revenue and gross profit

During the reporting period, the Group's revenue was RMB7,370.8 million, representing an increase of RMB1,260.9 million, or 20.6%, from that of RMB6,109.9 million in the corresponding period of 2021. This was primarily attributable to the significant year-on-year increase in the selling prices of methanol, urea and phosphate and compound fertilisers of the Group.

During the reporting period, the Group realised an external revenue from urea of RMB2,486.4 million, representing an increase of RMB470.1 million, or 23.3%, from that of RMB2,016.3 million in the corresponding period of 2021. This was primarily attributable to (1) an increase of RMB650.2 per tonne in the selling price of urea, which increased the revenue by RMB617.1 million; and (2) a decrease of 74,634 tonnes in the sales volume of urea, which decreased the revenue by RMB147.0 million and partially offset the above increase.

During the reporting period, the Group realised an external revenue from phosphate fertilisers and compound fertilisers of RMB1,781.9 million, representing an increase of RMB306.7 million, or 20.8%, from that of RMB1,475.2 million in the corresponding period of 2021. This was primarily attributable to (1) an increase of RMB795.4 per tonne in the selling price of phosphate and compound fertilisers, which increased the revenue by RMB409.7 million; and (2) a decrease of 38,689 tonnes in the sales volume of phosphate and compound fertilisers, which decreased the revenue by RMB103.0 million and partially offset the above increase.

During the reporting period, the Group realised an external revenue from methanol of RMB1,738.1 million, representing an increase of RMB460.9 million, or 36.1%, from that of RMB1,277.2 million in the corresponding period of 2021. This was primarily attributable to (1) an increase of RMB197.3 per tonne in the selling price of methanol, which increased the revenue by RMB142.5 million; and (2) an increase of 144,108 tonnes in the sales volume of methanol, which increased the revenue by RMB318.4 million.

During the reporting period, the Group realised an external revenue from other segments (primarily comprising port operations and provision of transportation services; trading of chemical fertilisers and chemical products; and production and sales of POM, BB fertilisers and liquid ammonia) of RMB1,364.4 million, representing an increase of RMB23.2 million, or 1.7%, from that of RMB1,341.2 million in the corresponding period of 2021. This was primarily attributable to (1) an increase of RMB140.53 million in revenue from the trading business this year as compared to last year due to the increase in trading volume of the Company with the gradual improvement of the marketing platform; (2) an increase of RMB13.5 million in revenue due to cargo handling and transportation volumes of Basuo Port; (3) an increase of RMB7.0 million in revenue from BB fertilisers due to their increased price even though there was a decrease in their sales volume; (4) a decrease of RMB128.5 million in revenue from POM due to the decrease of 13,926 tonnes in its sales volume albeit an increase of RMB6,085.9 per tonne in its price this year as compared to 2021; and (5) a decrease of RMB3 million in revenue from the sales of liquid ammonia, formaldehyde and carbon dioxide, etc.

During the reporting period, the Group's gross profit was RMB1,408.0 million, representing an increase of RMB122.8 million, or 9.6%, from that of RMB1,285.2 million in the corresponding period of 2021. This was primarily attributable to (1) an increase of RMB309.7 million in gross profit of methanol due to an increase in the price and sales volume of methanol in 2022; (2) a decrease of RMB99.4 million in gross profit of phosphate and compound fertilisers due to rising raw material prices and a decline in their sales volume, albeit an increase in their prices; (3) a decrease of RMB66.4 million in gross profit of urea due to rising raw material prices and a reduction in the production and sales volumes of the two plants of CNOOC Fudao which underwent an overhaul, although there was a significant increase in the urea prices during 2022; (4) a decrease of RMB35.0 million in gross profit of POM due to a decrease in its sales volume, although there was a significant increase in the POM prices; and (5) an increase of RMB13.9 million in gross profit of other segments.

Other income and other gains and losses

During the reporting period, the Group's other income was RMB32.7 million, representing a decrease of RMB26.8 million, or 45%, from that of RMB59.5 million in the corresponding period of 2021. This was primarily attributable to (1) a year-on-year decrease of RMB8.7 million in receipts of government grants, fundings for technology research and account settlements, etc.; and (2) the penalty interest of RMB18.3 million received from Hualu Yangpoquan in the previous year.

During the reporting period, the Group's other gains and losses amounted to RMB34.6 million, representing an increase of RMB33.4 million from RMB1.2 million in the corresponding period of 2021. This was primarily attributable to (1) a gain of

RMB33.8 million on maturity of wealth management products during the first half of the year, while there was an absence of such gain in the same period of previous year; (2) a gain on disposal of assets of RMB1.5 million in respect of the disposal and transfer of a land of DYK Chemical used as living area; (3) the reversal of provision for bad debts of Hualu Yangpoquan in the amount of RMB2.1 million in the previous year.

Selling and distribution costs

During the reporting period, the Group's selling and distribution costs amounted to RMB59.1 million, representing an increase of RMB0.9 million from that of RMB58.2 million in the corresponding period of 2021. This was primarily attributable to an increase of RMB0.9 million in the social insurance and other staff costs which were in recovery growth.

Administrative expenses

During the reporting period, the Group's administrative expenses amounted to RMB251.4 million, representing an increase of RMB21.5 million, or 9.4%, from that of RMB229.9 million in the corresponding period of 2021. This was primarily attributable to (1) an increase of RMB17.4 million in staff costs; (2) an increase of RMB10.1 million in research and development expenditures; (3) an increase of RMB3.5 million in taxes and surcharges; (4) a year-on-year decrease of RMB10.5 million in expenses, such as operation and maintenance expenses for information system, property fees, rental fees, consultation fees, outsourcing service fees and health, safety and environmental protection fees, as a result of the implementation of cost reduction and efficiency enhancement measures.

Other expenses

During the reporting period, the Group's other expenses amounted to RMB20.6 million, representing an increase of RMB2.5 million, or 12%, from that of RMB18.1 million in the corresponding period of 2021. This was primarily attributable to (1) external donations of RMB17.4 million, which increased by RMB17.3 million year-on-year; (2) a year-on-year decrease of RMB10.9 million in bank handling fees (which was due to the early repayment of financial lease facility by CNOOC Huahe in the previous year); and (3) a decrease of RMB3.6 million in liquidated damages and compensations.

Finance income and finance costs

During the reporting period, the Group's finance income amounted to RMB152.2 million (of which finance income from sizable certificate of deposit business amounted to RMB144.2 million), representing a decrease of RMB33.7 million from that of RMB185.9 million (of which finance income from sizable certificate of deposit business amounted to RMB165.3 million) in the corresponding period of 2021.

During the reporting period, the Group's finance costs amounted to RMB13.6 million, representing a decrease of RMB18.8 million from that of RMB32.4 million in the corresponding period of 2021. Such decrease in finance costs was due to the reduction in the financings of CNOOC Huahe and DYK Chemical.

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

Net exchange (losses)/gains

During the reporting period, the Group recorded net exchange losses of RMB3.5 million, representing an increase in loss of RMB4.2 million from net exchange gains of RMB0.7 million in the corresponding period of 2021. It was mainly the exchange losses recorded in the Company's dividend 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 RMB1.8 million, representing an increase of RMB0.8 million from that of RMB1 million in the corresponding period of 2021. This was primarily attributable to (1) the recognition of an increase of RMB1.2 million in the investment income in United Wealthfert Co., Ltd. for the year; and (2) the recognition of a year-on-year decrease of RMB0.5 million in the investment income in CBC (Canada) Holding Corp. for the year.

Income tax expenses

During the reporting period, the Group's income tax expenses amounted to RMB249.9 million, representing a decrease of RMB145.9 million from that of RMB395.8 million in the corresponding period of 2021. This was primarily attributable to (1) a year-on-year increase in operating profit before tax recorded by the Group for the year, which resulted in a corresponding increase of RMB16.8 million in current income tax expenses; and (2) a decrease of RMB162.7 million in deferred income tax expenses (a decrease of RMB26.3 million in reversal of deferred income tax expenses provided by subordinate companies including CNOOC Huahe, DYK Chemical, CNOOC Tianye, CNOOC Fudao, Guangxi Fudao and Jiantao in previous years; and a reversal of RMB136.4 million of deferred income tax expense 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) in previous year).

Net profit for the period

During the reporting period, the Group's net profit was RMB1,046.0 million, representing a decrease of RMB281.9 million as compared with that of RMB1,327.9 million for the corresponding period of 2021.

Dividends

The board of directors of the Company (the "Board") does not recommend payment of an interim dividend for the six months period ended 30 June 2022. During the reporting period, the Company made dividend payments for 2021 in cash in the total amount of RMB714.6 million.

Capital expenditures

During the reporting period, the Group had total capital expenditures of RMB345.1 million, including RMB11.5 million for mining projects, RMB1.6 million for base construction (production accessories) projects, RMB331.2 million for oil refining and chemicals projects, RMB0.2 million for environmental management, energy conservation and low carbon projects, RMB0.7 million for office equipments and RMB0.03 million for technology research (capital expenditures) projects.

The key projects mainly included: (1) the acrylonitrile project of the Company in the amount of RMB272.4 million; (2) the overall upgrade and revamp project for the furnace reformer tubes of CNOOC Fudao Chemical Fertiliser Phase II synthetic ammonia plant in the amount of RMB25.7 million; and (3) the underground mining engineering project of DYK Chemical with an annual phosphate ore output of 1.60 million tonnes in the amount of RMB6.4 million.

Pledge of assets

As at 30 June 2022, no property, plant and equipment was charged by the Group as collateral for interest-bearing 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 operation 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 at 30 June 2022, the Group had total interest-bearing liabilities of RMB1,615 million, of which RMB300 million were fixed-rate liabilities and the remaining were floating-rate liabilities. The gearing ratio of the Group as at 30 June 2022 (calculated as interest-bearing liabilities divided by the sum of equity and interest-bearing liabilities) was 8.8%.

Cash and cash equivalents

At the beginning of 2022, the Group had cash and cash equivalents of RMB674.4 million. For the first half of 2022, net cash inflow from operating activities was RMB744.6 million, net cash outflow from investing activities was RMB260.0 million, net cash outflow from financing activities was RMB296.9 million, and the increase in cash and cash equivalents due to the effect of foreign exchange rate changes was RMB2.6 million. As at 30 June 2022, the Group's cash and cash equivalents were RMB864.8 million. The Group has sufficient working capital to meet the funding requirements for its day-to-day operation and future development.

Human resources and training

As at 30 June 2022, the Group had a total of 4,202 employees, and the total remuneration and allowances of employees amounted to approximately RMB306.6 million for the first half of 2022. 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, performances and capabilities.

During the reporting period, the Company strictly followed the annual training plan with a total of 35,058 enrolments and a total of 107,581 training hours. The Company also organised a total of 3,989 courses on safety training (on-site safety education and three-level safety training with contractors attended), internet safety training and external training, with a total of 52,663 enrolments and 110,301 training hours.

Market risks

The major market risks exposed to the Group arise from changes in the selling prices of its main products and in the costs of raw materials (mainly natural gas, coal, phosphate ore, liquid ammonium 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 market interest rate risk exposed to the Group mainly arises from 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 is primarily denominated in RMB and secondarily in United States dollar (USD). The Group's purchases of equipment and materials are primarily denominated in RMB and secondarily in USD. During the reporting period, the RMB to USD exchange rate ranged between 6.3014 and 6.7898. Fluctuations in RMB to USD exchange rate will have impacts on the Company's import of equipment and raw materials, export of products as well as the financing activities in USD.

As at 30 June 2022, the balance of the Group's deposits in USD was US\$2.6 million.

Inflation and currency risk

According to the National Bureau of Statistics of China, the consumer price index of the PRC increased by 2.5% during the reporting period, which did not have any significant impact on the Group's operating results for the year.

Subsequent events

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

Contingent liabilities

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

Material litigation and arbitration

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

Material acquisitions and disposals of subsidiaries and associates of the Company

During the reporting period, the Group did not have any completed acquisitions or disposals.

On 27 June 2022, the Company initiated a listing-for-sale process to dispose of approximately 79.98% equity interest in Hubei Dayukou Chemical Limited on China Beijing Equity Exchange. As at the date of this announcement, the final transferee is still uncertain, and no equity transaction agreement has been entered into by the Company. Please refer to the announcements of the Company dated 27 June 2022 and 2 August 2022 for the latest progress of the potential disposal.

On 30 June 2022, the Company entered into a conditional equity transfer agreement with CNOOC Oil & Petrochemicals Co., Ltd. for a proposed acquisition of 100% equity interests in CNOOC Orient Petrochemical Co., Ltd. (中海石油東方石化有限公司). The transaction is subject to independent shareholders' approval at the general meeting to be held by the Company and satisfaction of conditions precedent of the agreement. Please refer to the announcement of the Company dated 30 June 2022, 21 July 2022, 4 August 2022 and 30 August 2022 for details and the latest progress of the transaction.

Sector Outlook

As the domestic demand is traditionally low in the second half of the year, especially in the third quarter, during which low-season reserve has not started, the domestic urea market may possibly face significant price mark-downs. Subject to the supply of natural gas and the scale of low-season reserve, the urea market may stabilize and rebound in the fourth quarter. Given the reduction in prices of main raw materials, in the second half of the year, the supply of phosphate fertilisers is expected to loosen up in the domestic market, which will exert a greater pressure on the domestic sales, and the prices will thereby start to go down with fluctuations along with the costs. In the second half of the year, the excessive methanol supply over demand is expected to continue. Dampened by deteriorating macro views, the market will mainly under weak fluctuation adjustments, which will also be highly sensitive to factors such as the seasonal demand and supply of downstream industries and the trends of crude oil prices. The POM market is expected to see a more adequate supply in the second half of the year and the key concern will be whether the downstream demand can be restored.

Our Key Tasks in the second half of 2022

1. To strictly implement normalization requirements of epidemic prevention and control, and endeavour to achieve safe and stable operation for all production plants;
2. To strengthen the management, maintenance and overhauling of old equipment, and address bottleneck issues with consolidated technical skills;
3. To continuously enhance the ability to study and judge the channel and terminal markets at two levels, promote brand building, enlarge green value-added fertilisers, realise product value and gain a greater say;
4. To ensure successful trial operation of the acrylonitrile project and get well-prepared for its production and sales;
5. To push forward the project in Xingang Zone of Basuo Port in relation to the construction of a petrochemical wharf with a throughput of 20 thousand tonnes;
6. To actively proceed with the acquisition of Orient Petrochemical;
7. To complete the transfer of equity interests in DYK Chemical and CNOOC Tianye in a steady manner; and
8. To accelerate the research of carbon-rich natural gas utilisation technology, master more advanced technology of carbon sequestration, and 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 2022. The Group's unaudited interim results for the six months ended 30 June 2022 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 2022, save as disclosed below, 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

On 30 March 2022, Mr. Wang Weimin resigned from the positions of the chairman of the Board and an executive Director, and Mr. Hou Xiaofeng, an executive Director, was appointed by the Board to perform the duties and responsibilities of the chairman of the Board until the effective date of the appointment of the new chairman of the Board. In view of Mr. Hou Xiaofeng's experience, personal profile and his roles in the Company, the Board considers that it has no unfavorable impact on the business prospects and operational efficiency of the Company that Mr. Hou Xiaofeng, in addition to acting as the president of the Company, acts as the chairman of the Board. The Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) there is sufficient check and balance in the Board as the decision to be made by the Board requires approval by at least a majority of the Directors and the Board has three independent non-executive Directors out of the seven Directors, which is in compliance with the Listing Rules; (ii) Mr. Hou Xiaofeng and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that they act for the benefit and in the best interest of the Company and make decisions for the Company accordingly; (iii) the balance of power and responsibilities is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company; and (iv) the overall strategic and other key business, financial, and operational policies of the Company are made collectively after thorough discussion at both Board and senior management levels.

The Company will use its best endeavor to identify suitable candidates to fill the vacancies and to re-comply with the relevant requirements of the Corporate Governance Code as soon as practicable.

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 2022, 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 2022, 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)

Notes: The letter (L) denotes long position.

- (1) Mr. Huang Hulung and Mr. Zhao Baoshun, the non-executive Directors, also serve as full-time despatched directors by CNOOC.
- (2) MGD Holdings indirectly holds these shares through its controlled corporations, namely Daher Capital LTD and DFG LTD.

Save as disclosed above, to the best knowledge of any of the Directors and chief executives of the Company, as at 30 June 2022, 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 2022, 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 2022, 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 220,000 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 2022 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, 26 August 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	Six months ended	
		30 June 2022 RMB'000 (Unaudited)	30 June 2021 RMB'000 (Unaudited)
Revenue	4	7,370,785	6,109,852
Cost of sales		(5,962,735)	(4,824,625)
Gross profit		1,408,050	1,285,227
Other income, net	4	32,734	59,533
Other gains and losses	5	34,625	1,158
Selling and distribution costs		(59,139)	(58,233)
Administrative expenses		(251,358)	(229,927)
Other expenses		(20,610)	(18,135)
Change in fair value of financial assets at fair value through profit or loss		14,826	5,085
Finance income		152,152	185,904
Finance costs	6	(13,576)	(32,395)
Net exchange (losses)/gains	7	(3,502)	667
Gain on disposal of a subsidiary	28	-	68,707
Gain on disposal of an associate	28	-	455,103
Share of (losses)/profits of joint ventures		(569)	99
Share of profits of associates		2,333	908
Profit before income tax expenses	8	1,295,966	1,723,701
Income tax expenses	9	(249,940)	(395,776)
Profit for the period		1,046,026	1,327,925
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		78	(227)
Share of other comprehensive income of joint ventures		396	1,149
Other comprehensive income for the period		474	922
Total comprehensive income for the period		1,046,500	1,328,847

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

For the six months ended 30 June 2022

	Notes	Six months ended	
		30 June 2022	30 June 2021
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Profit attributable to:			
Owners of the Company		936,965	1,245,766
Non-controlling interests		109,061	82,159
		<u>1,046,026</u>	<u>1,327,925</u>
Total comprehensive income attributable to:			
Owners of the Company		937,439	1,246,688
Non-controlling interests		109,061	82,159
		<u>1,046,500</u>	<u>1,328,847</u>
Earnings per share attributable to owners of the Company			
- Basic for the period (RMB per share)	10	0.20	0.27

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	6,899,457	6,742,510
Mining rights		129,767	130,279
Prepaid lease payments	12	525,163	533,210
Investment properties		83,539	86,196
Intangible assets		35,079	39,840
Investment in joint ventures	13	288,767	289,524
Investment in associates	14	33,873	34,424
Financial assets at fair value through other comprehensive income		600	600
Deferred tax assets	15	38,112	37,517
Prepayment for property, plant and equipment		54,182	75,867
		8,088,539	7,969,967
CURRENT ASSETS			
Inventories	16	1,507,110	1,231,545
Trade receivables	17	150,234	35,409
Bills receivable	18	138,215	176,853
Contract assets		17,679	7,259
Prepayments, deposits and other receivables	19	531,974	332,375
Financial assets at fair value through profit or loss	20	2,720,948	2,756,122
Value-added tax recoverable		204,793	434,380
Pledged bank deposits		7,219	13,219
Time deposits with original maturity over three months		7,800,000	7,800,000
Cash and cash equivalents	21	864,750	674,449
		13,942,922	13,461,611
TOTAL ASSETS		22,031,461	21,431,578
EQUITY			
CAPITAL AND RESERVES			
Issued capital	22	4,610,000	4,610,000
Reserves		11,443,402	10,502,551
Proposed dividends	23	-	714,550
Equity attributable to owners of the Company		16,053,402	15,827,101
Non-controlling interests		1,035,143	1,087,573
TOTAL EQUITY		17,088,545	16,914,674

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - Continued

As at 30 June 2022

	Notes	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
LIABILITIES			
NON-CURRENT LIABILITIES			
Benefits liability		5,151	6,059
Interest-bearing bank and other borrowings	24	981,704	571,991
Lease liabilities		12,401	17,120
Deferred tax liabilities	15	25,924	27,331
Deferred revenue	25	116,564	125,804
Other long-term liabilities		293,995	326,560
		<u>1,435,739</u>	<u>1,074,865</u>
CURRENT LIABILITIES			
Trade payables	26	1,395,048	1,335,288
Contract liabilities		634,980	811,122
Other payables and accruals	27	712,254	667,949
Interest-bearing bank and other borrowings	24	632,880	447,750
Lease liabilities		12,972	8,695
Income tax payable		119,043	171,235
		<u>3,507,177</u>	<u>3,442,039</u>
TOTAL LIABILITIES		<u>4,942,916</u>	<u>4,516,904</u>
TOTAL EQUITY AND LIABILITIES		<u>22,031,461</u>	<u>21,431,578</u>
NET CURRENT ASSETS		<u>10,435,745</u>	<u>10,019,572</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>18,524,284</u>	<u>17,989,539</u>
NET ASSETS		<u>17,088,545</u>	<u>16,914,674</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	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 2022	4,610,000	1,109,316	1,766,468	81,006
Profit for the period	-	-	-	-
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	-	-
Appropriation and utilisation of safety fund, net	-	-	-	7,282
2021 final dividends paid (Note 23)	-	-	-	-
Dividends paid to non-controlling interest	-	-	-	-
Balance at 30 June 2022 (Unaudited)	4,610,000	1,109,316	1,766,468	88,288
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

Notes:

- 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.
- 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.
- 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
7,547,657	714,550	(1,896)	15,827,101	1,087,573	16,914,674
936,965	-	-	936,965	109,061	1,046,026
-	-	474	474	-	474
936,965	-	474	937,439	109,061	1,046,500
(7,282)	-	-	-	-	-
3,412	(714,550)	-	(711,138)	-	(711,138)
-	-	-	-	(161,491)	(161,491)
8,480,752	-	(1,422)	16,053,402	1,035,143	17,088,545
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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended	
	30 June 2022	30 June 2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash from operating activities	744,598	1,114,416
Net cash from investing activities		
Interest received	152,152	111,493
Dividend received	3,468	619
Purchase of property, plant and equipment	(514,381)	(338,879)
Government grants received	6,707	16,227
Increase in time deposits	-	(800,000)
Purchase of financial assets at fair value through profit or loss	(3,200,000)	(700,000)
Disposal of financial assets at fair value through profit or loss	3,283,749	-
Proceeds from disposal of prepaid lease payments	479	-
Proceeds from disposal of property, plant and equipment	7,824	4,708
Proceeds from disposal of a subsidiary	-	20,000
Net cash flow used in investing activities	(260,002)	(1,685,832)
Net cash from financing activities		
Dividends paid	(711,138)	(368,800)
Dividends paid to non-controlling interests	(161,491)	(13,445)
Decrease in pledged bank deposits	6,000	-
New bank and other borrowings raised	1,233,916	1,620,136
Repayment of bank and other borrowings	(639,073)	(2,649,000)
Interest paid	(13,065)	(32,637)
Payment of lease liabilities	(1,656)	(1,134)
Other finance charges	(10,363)	(8,500)
Net cash flow used in financing activities	(296,870)	(1,453,380)
Net increase/(decrease) in cash and cash equivalents	187,726	(2,024,796)
Cash and cash equivalents at beginning of the period	674,449	2,765,441
Effect of foreign exchange rate changes	2,575	26,195
Cash and cash equivalents at end of the period	864,750	766,840

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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 2022 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2021.

The IASB has issued new or amended International Financial Reporting Standard (“**IFRS**”) that is first effective on 1 January 2022 and is therefore applicable for the current accounting period of the Group.

Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual Improvements to 2018–2020 cycle
Amendments to IAS 16	Proceed before Intended Use
Amendments to IFRS 3	Reference to the Conceptual Framework

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 2022

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 losses/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 2022

3. OPERATING SEGMENT INFORMATION - Continued

	Urea	Phosphorus and compound fertiliser	Methanol	Others	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended						
30 June 2022 (Unaudited)						
Segment revenue						
Sales to external customers	2,486,437	1,781,910	1,738,141	1,364,297	-	7,370,785
Inter-segment sales	-	-	-	940,886	(940,886)	-
Total	2,486,437	1,781,910	1,738,141	2,305,183	(940,886)	7,370,785
Segment profit/(loss) before income tax expenses	419,626	103,609	628,427	(21,375)	-	1,130,287
Interest and unallocated income						201,603
Corporate and other unallocated expenses						(34,186)
Net exchange losses						(3,502)
Share of losses of joint ventures						(569)
Share of profits of associates						2,333
Profit before income tax expenses						1,295,966
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 expenses	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 expenses						1,723,701

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2022

4. REVENUE AND OTHER INCOME

An analysis of revenue and other income is as follows:

	Six months ended	
	30 June 2022	30 June 2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods, recognised at a point in time*	6,991,548	5,933,779
Rendering of services, recognised overtime*	379,237	176,073
	7,370,785	6,109,852
Other income, net		
Income from sale of other materials, recognised at a point in time*	7,783	7,465
Loss from rendering of other services, recognised overtime*	(260)	(253)
Gross rental income	377	1,392
Government grants	15,947	20,789
Indemnities received	2,355	23,443
Sundry income	6,532	6,697
	32,734	59,533

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

5. OTHER GAINS AND LOSSES

	Six months ended	
	30 June 2022	30 June 2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Gain on maturity of financial assets at FVTPL	33,749	-
Reversal of impairment loss on other receivables	-	2,058
Gain/(loss) on disposal of property, plant and equipment	876	(900)
	34,625	1,158

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2022

6. FINANCE COSTS

	Six months ended	
	30 June 2022	30 June 2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	13,065	31,825
Interest on lease liabilities	511	570
	13,576	32,395

7. NET EXCHANGE (LOSSES)/GAINS

	Six months ended	
	30 June 2022	30 June 2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Exchange gains	2,209	5,811
Exchange losses	(5,711)	(5,144)
	(3,502)	667

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2022

8. PROFIT BEFORE INCOME TAX EXPENSES

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

	Six months ended	
	30 June 2022	30 June 2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	5,639,964	4,688,202
Cost of services provided	322,771	136,423
Cost of sales recognised as expenses	5,962,735	4,824,625
Depreciation and amortisation:		
Depreciation of property, plant and equipment		
- Owned property, plant and equipment	253,149	265,167
- Right-of-use assets included:		
- Buildings	1,036	895
- Plant and machinery	1,394	1,393
Amortisation of mining rights	512	597
Amortisation of prepaid lease payments	7,568	7,560
Amortisation of investment properties	2,657	2,718
Amortisation of intangible assets	4,761	3,533
	271,077	281,863

9. INCOME TAX EXPENSES

	Six months ended	
	30 June 2022	30 June 2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
PRC Enterprise Income Tax	251,392	229,425
Under-provision in prior year	550	6,342
	251,942	235,767
Deferred tax (Note 15)	(2,002)	160,009
Total income tax expenses	249,940	395,776

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2022

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 2022 and 2021.

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 2022	30 June 2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit before income tax expenses	1,295,966	1,723,701
Tax at the statutory tax rate of 25%	323,992	430,925
Tax effect of concessionary tax rate	(39,687)	(21,527)
Tax effect of share of profits of joint ventures and associates	(441)	(252)
Tax effect of revenue not taxable for tax purposes	(43,484)	(16,188)
Tax effect of expenses not deductible for tax purposes	2,923	6,356
Tax effect of tax losses not recognised	22,734	38,390
Tax effect of deductible temporary differences not recognised	-	3,956
Utilisation of tax losses not recognised	(16,647)	(52,226)
Under-provision in respect of prior years	550	6,342
Income tax expenses	249,940	395,776
The Group's effective income tax rate	19%	23%

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2022

10. EARNINGS PER SHARE

	Six months ended	
	30 June 2022	30 June 2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)

Earnings

Profits for the period attributable to owners of the Company	936,965	1,245,766
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	Six months ended	
	30 June 2022	30 June 2021
	'000	'000
	(Unaudited)	(Unaudited)

Shares

Number of ordinary shares	4,610,000	4,610,000
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The Group had no potential dilutive ordinary shares in issue during the six months ended 30 June 2022 and 2021.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired property, plant and equipment including construction in progress with an aggregate cost amounting to RMB419,474,000 (six months ended 30 June 2021: RMB91,256,000). Property, plant and equipment with carrying amount of RMB6,948,000 (six months ended 30 June 2021: RMB41,950,000) were disposed of during the six months ended 30 June 2022.

12. PREPAID LEASE PAYMENTS

The Group did not acquire any land use right during the six months ended 30 June 2022 and 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2022

13. INVESTMENT IN JOINT VENTURES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Cost of investment in joint ventures	265,299	265,299
Share of post-acquisition profits and other comprehensive income, net of dividends received	23,468	24,225
	288,767	289,524

The Group's trade receivables, other receivables, trade payables and other payables with its joint ventures were disclosure in Note 17, 19, 26 and 27.

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

Name of the entity	Place and date of incorporation and operation	Registered capital '000		Percentage of equity interest attributable to the Company		Principal activities
				30 June 2022	31 December 2021	
				%	%	
貴州錦麟化工有限責任公司 (transliterated as Guizhou Jinlin Chemical Co., Ltd.)	PRC 12 April 2007	RMB584,221	Direct Indirect	33.99 -	33.99 -	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 24 April 2005	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 2022

14. INVESTMENT IN ASSOCIATES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Cost of investment in associates	33,031	33,031
Share of post-acquisition profits and other comprehensive income, net of dividends received	2,598	3,149
Accumulated impairment	(1,756)	(1,756)
	33,873	34,424

The Group's trade receivables, other receivables and trade payables with its associates were disclosed in Notes 17, 19 and 26 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 2022 %	31 December 2021 %	
中國八所外輪代理有限公司 (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公司 (transliterated as Inner Mongolia Hong Feng Packaging Co., Ltd.)	PRC 9 December 1999	RMB3,297	Direct Indirect	- 45.21	- 45.21	Manufacturing and sale of woven plastic bags
聯合惠農農資(北京)有限公司 (transliterated as United Agricultural Means of Production (Beijing) Co., Ltd.)	PRC 7 June 2016	RMB100,000	Direct Indirect	30.00 -	30.00 -	Merchandising

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2022

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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Deferred tax assets	38,112	37,517
Deferred tax liabilities	(25,924)	(27,331)
	12,188	10,186

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2022

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	Fair value adjustment on acquisition of subsidiaries RMB'000	Unused tax losses RMB'000	Others RMB'000	Total RMB'000
At 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
(Charge)/credit to profit or loss	20,764	(296,316)	(13,522)	-	2,909	(286,165)
At 31 December 2021 and 1 January 2022	17,397	2,538	(27,331)	-	17,582	10,186
(Audited)						
Credit/(charge) to profit or loss	6,894	-	1,407	-	(6,299)	2,002
At 30 June 2022						
(Unaudited)	24,291	2,538	(25,924)	-	11,283	12,188

As at 30 June 2022, the Group has unused tax losses of RMB419,536,000 (31 December 2021: RMB RMB1,429,008,000) of available for offset against future profits. No deferred tax asset has been recognised in respect of such losses (31 December 2021: no deferred tax asset has been recognised in respect of such losses), due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of RMB419,536,000 (31 December 2021: RMB1,429,008,000) that will expire in 5 years.

At the end of the reporting period, the Group has deductible temporary differences of RMB415,368,000 (31 December 2021: RMB2,260,250,000) that has not been recognised as deferred tax assets 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 2022

16. INVENTORIES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Raw materials and spare parts	646,126	601,907
Work in progress	301,216	227,699
Finished goods	559,768	455,027
	1,507,110	1,284,633
Write-down	-	(53,088)
Net realisable value	1,507,110	1,231,545

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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade receivables	150,234	35,409

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2022

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 impairment of trade receivables of the Group, was as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within one year	150,189	35,409
Over one year but within two years	45	-
	150,234	35,409

Movement in the expected credit losses ("ECLs") in respect of trade receivables during the period/year is as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Balance at beginning of the period/year	-	762
Reversal of impairment loss	-	(762)
Balance at end of the period/year	-	-

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 RMBNil (31 December 2021: RMBNil).

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Neither past due nor impaired	150,234	35,409

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 2022

17. TRADE RECEIVABLES - Continued

As at 30 June 2022, 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”), associates and joint ventures 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 analysis as follow:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
CNOOC group companies	119,056	13,288
Associates	1,487	2,166
Joint ventures	325	325
	120,868	15,779

18. BILLS RECEIVABLE

The bills receivable of the Group as at 30 June 2022 and 31 December 2021 were all mature within twelve months.

As at 30 June 2022, 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 RMB50,299,000 (31 December 2021: RMB213,757,000). The Group has derecognised these bills receivable 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 2022, 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 RMB50,299,000 (31 December 2021: RMB213,757,000).

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 2022

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Prepayments	130,058	98,616
Deposits and other receivables	402,981	234,824
Less: impairment loss	(1,065)	(1,065)
	531,974	332,375

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Balance at beginning of the period/year	1,065	15,153
Reversal of impairment loss	-	(4,395)
Written off of impairment loss recognised	-	(9,693)
Balance at end of the period/year	1,065	1,065

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 2022

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES - Continued

The amounts due from the ultimate holding company, CNOOC group companies, associates and joint venture included in the above, which are unsecured, non-interest bearing and have no fixed repayment terms, can be analysed as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Ultimate holding company	173	-
CNOOC group companies	18,080	12,165
Associates	1,155	1,202
Joint venture	101	101
	19,509	13,468

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Wealth management products	2,720,948	2,756,122

Financial assets at FVTPL represent wealth management products in licensed bank. Gain on maturity of financial assets at FVTPL of RMB33,749,000 was recognised for the six months ended 30 June 2022 (six months ended 30 June 2021: RMBNil). The wealth management products will mature on 19 July 2022, 21 July 2022 and 8 October 2022. (31 December 2021: the wealth management products were mature on 16 March 2022, 4 April 2022 and 18 April 2022).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2022

21. CASH AND CASH EQUIVALENT

The Group's bank balances and cash were denominated in RMB as at 30 June 2022 and 31 December 2021, except for amounts of RMB17,099,000 (31 December 2021: RMB1,723,000) which was translated from US\$2,548,000 (31 December 2021: US\$270,000) and RMB6,000 (31 December 2021: RMB7,000) which was translated from HK\$8,000 (31 December 2021: HK\$9,000).

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 2022, included in the Group's cash and cash equivalents were RMB398,224,000 (31 December 2021: RMB399,500,000) 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	4,610,000	4,610,000
Issued and fully paid:		
Domestic Shares of RMB1 each, currently not listed:		
- State-owned shares	2,739,000	2,739,000
- Other legal person shares	75,000	75,000
Unlisted Foreign Shares of RMB1 each	25,000	25,000
H shares of RMB1 each	1,771,000	1,771,000
As at 30 June 2022 (unaudited) and 31 December 2021 (audited)	4,610,000	4,610,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2022

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 2022, a final dividend of RMB0.154 per share in respect of the year ended 31 December 2021 (six months ended 30 June 2021: a final dividend of RMB0.080 per share in respect of the year ended 31 December 2020) was declared and paid to the owners of the Company. The dividend declared and paid during the six months ended 30 June 2022 amounted to RMB711,138,000 (six months ended 30 June 2021: RMB368,800,000).

The board of directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: RMBNil).

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

As at 30 June 2022, bank borrowings of RMB827,180,000 (31 December 2021: RMB447,750,000) were unsecured with effective interest rates of 3.20%–3.35% per annum (31 December 2021: 3.40%–3.50%), payable within 2023 and 2027 (31 December 2021: payable within 2022). The amounts due were based on the scheduled repayment dates set out in the loan agreements.

As at 30 June 2022, other borrowings of RMB787,404,000 (31 December 2021: RMB571,991,000) were unsecured and due to the CNOOC Finance with effective interest rates of 3.75% per annum (31 December 2021: 3.75%), payable within 2029 (31 December 2021: payable within 2029). The amounts due were based on the scheduled repayment dates set out in the loan agreements.

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 2022

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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within one year	1,333,242	1,286,545
Over one year but within two years	59,505	45,865
Over two years but within three years	1,621	1,704
Over three years	680	1,174
	1,395,048	1,335,288

As at 30 June 2022, the amounts due to CNOOC group companies, associate, 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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
CNOOC group companies	532,186	518,770
Associate	421	421
Joint venture	3,871	-
Other Related Parties	3,840	5,651
	540,318	524,842

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2022

27. OTHER PAYABLES AND ACCRUALS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Accrued payroll	261,350	162,788
Other payables	184,328	249,361
Payables to government	18,603	18,603
Other tax payables	59,113	42,401
Port construction fee payable	158,773	158,773
Payables in relation to the construction and purchase of property, plant and equipment	30,087	36,023
	712,254	667,949

As at 30 June 2022, the amounts due to ultimate holding company, CNOOC group companies, joint venture 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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Ultimate holding company	-	4
CNOOC group companies	30,729	59,684
Joint venture	-	306
Other Related Parties	2,830	2,830
	33,559	62,824

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2022

28. DISPOSAL OF A SUBSIDIARY AND AN ASSOCIATE

The Group 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:

	30 June 2021 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
Prepaid lease payments	9,237
Other payables and accruals	(206)
Interest-bearing bank borrowings	(182)
Deferred tax liabilities	(3,000)
	15,347
Non-controlling interests	18,012
Consideration	(102,066)
Gain on disposal of a subsidiary	(68,707)
Satisfied by:	
Deposit received	82,066
Cash consideration received during the period	20,000
Cash and cash equivalents disposed of	(4)
Net cash inflow arising on disposal	102,062

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2022

28. DISPOSAL OF A SUBSIDIARY AND AN ASSOCIATE - Continued

(b) Disposal of an associate

	30 June 2021 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 2022 and 31 December 2021, the Group had the following capital commitments:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Contracted, but not provided for acquisition of plant and machinery	<u>1,704,321</u>	<u>1,824,979</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2022

30. RELATED PARTY TRANSACTIONS

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

	Six months ended	
	30 June 2022 RMB'000 (Unaudited)	30 June 2021 RMB'000 (Unaudited)
(A) Included in revenue and other income		
(a) CNOOC group companies		
Sale of goods	362,351	355,120
Provision of packaging and assembling services	51,766	44,369
Provision of transportation services	85	76
Provision of logistics services	4,043	10,932
Provision of lease of property and land	3,404	61
	421,649	410,558
(b) Other Related Parties		
Sale of goods	131,215	103,492
Provision of transportation services	-	423
	131,215	103,915
(B) Included in cost of sales and other expenses		
(a) CNOOC group companies		
Purchase of raw materials	1,712,803	1,145,544
Labour services	50,567	55,832
Construction and installation services	-	21,261
Lease of offices	12,974	12,228
Logistics services	1,540	3,069
Network services	123	3,933
Transportation services	152	-
	1,778,159	1,241,867
(C) Included in finance income/costs		
(a) CNOOC Finance		
Finance income	2,133	1,944
Fees and charges	1,948	3,266
Interest on other borrowings	3,148	-
(b) CNOOC Leasing		
Interest on other borrowings	-	13,108
Fees and charges	-	12,520

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2022

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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Ultimate holding company	173	-	4,717	4,721
CNOOC group companies	148,485	30,435	578,594	617,302
Associates	2,642	3,368	10,505	27,043
Joint venture	426	426	3,871	306
CNOOC Finance	-	-	787,404	571,991
Other Related Parties	-	-	6,670	8,481
			30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Deposits placed by the Group with CNOOC Finance			398,224	399,500

(3) Compensation of key management personnel of the Group

	Six months ended	
	30 June 2022 RMB'000 (Unaudited)	30 June 2021 RMB'000 (Unaudited)
Short-term employee benefits	5,382	1,005
Post-employment benefits	118	141
	5,500	1,146

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2022

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 2022 and 31 December 2021 are summarised below:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Cash and cash equivalents	864,047	674,435
Pledged bank deposits	7,219	13,219
Time deposits	7,800,000	7,800,000
	8,671,266	8,487,654
Interest-bearing bank and other borrowings	1,614,584	1,019,741

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2022

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 2022

31. FINANCIAL INSTRUMENTS - Continued

(b) Financial instruments measured at fair value - Continued

	30 June 2022		
	Unaudited		
	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTPL			
-Wealth management products	2,720,948	-	2,720,948
Financial assets at FVOCI			
-Unlisted equity investment	-	600	600
-Bills receivable	-	138,215	138,215
	31 December 2021		
	Audited		
	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTPL			
-Wealth management products	2,756,122	-	2,756,122
Financial assets at FVOCI			
-Unlisted equity investment	-	600	600
-Bill receivable	-	176,853	176,853

During the six months ended 30 June 2022 and 30 June 2021, 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 26 August 2022.

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	Hou Xiaofeng 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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