



中海石油化学股份有限公司
China BlueChemical Ltd.

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

股票代碼

HKSE CODE

3983



中期報告 2023
INTERIM REPORT

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Financial Highlights

Selected data of condensed consolidated statement of profit or loss

For the six months ended 30 June 2023

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

Selected data	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Revenue	6,175,701	7,370,785
Cost of sales	(5,112,084)	(5,962,735)
Gross profit	1,063,617	1,408,050
Other income, other gains and losses	102,637	67,359
Selling and distribution costs	(47,168)	(59,139)
Administrative expenses	(272,738)	(251,358)
Other expenses	(3,611)	(20,610)
Change in fair value of financial assets at fair value through profit or loss	6,150	14,826
Finance income	161,454	152,152
Finance costs	(9,957)	(13,576)
Exchange losses, net	(13,183)	(3,502)
Gain on deemed disposal of a subsidiary	852,397	-
Share of losses of joint ventures	(499)	(569)
Share of profits of associates	1,259	2,333
Profit before income tax	1,840,358	1,295,966
Income tax expenses	(114,885)	(249,940)
Profit for the period	1,725,473	1,046,026
Profit for the period attributable to:		
Owners of the Company	1,715,398	936,965
Non-controlling interests	10,075	109,061
	1,725,473	1,046,026
Earnings per share attributable to ordinary owners of the Company		
- Basic for the period (RMB per share)	0.37	0.20

Selected data of condensed consolidated statement of financial position

As at 30 June 2023

(All amounts expressed in thousands of Renminbi)

Selected data	30 June 2023	31 December 2022
	(Unaudited)	(Audited)
Assets		
Non-current assets	9,100,641	8,012,903
Current assets	14,596,576	15,484,756
Total assets	23,697,217	23,497,659
Equity and liabilities		
Total equity	18,771,639	17,776,590
Non-current liabilities	1,837,128	1,618,550
Current liabilities	3,088,450	4,102,519
Total equity and liabilities	23,697,217	23,497,659

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 (%)		
		2023	2022	Change %	2023	2022	Change
Chemical Fertilisers							
Urea	Fudao Phase I	288,492	273,664	5.4	111.0	105.3	5.4
	Fudao Phase II	414,717	324,407	27.8	103.7	81.1	27.8
	CNOOC Huahe	340,707	310,945	9.6	131.0	119.6	9.5
	Group total	1,043,916	909,015	14.8	113.5	98.8	14.9
Phosphate Fertilisers and Compound Fertilisers	DYK MAP	20,885	45,542	(54.2)	27.8	60.7	(54.2)
	DYK DAP Phase I (Note 1)	179,561	185,272	(3.1)	102.6	105.9	(3.1)
	DYK DAP Phase II	200,868	291,400	(31.1)	80.3	116.6	(31.1)
	Group total	401,314	522,214	(23.2)	80.3	104.4	(23.1)
Chemical Products							
Methanol	Hainan Phase I	296,083	336,023	(11.9)	98.7	112.0	(11.9)
	Hainan Phase II	390,580	437,434	(10.7)	97.6	109.4	(10.8)
	Group total	686,663	773,457	(11.2)	98.1	110.5	(11.2)

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

		For the six months ended 30 June		
		2023	2022	Change %
Chemical Fertilisers				
Urea	Fudao Phase I	280,033	277,309	0.1
	Fudao Phase II	402,433	334,432	20.3
	CNOOC Huahe	362,527	337,397	7.5
	Group total	1,044,993	949,139	10.1
Phosphate Fertilisers and Compound Fertilisers	DYK MAP	23,135	45,843	(49.5)
	DYK DAP Phase I (Note 1)	173,208	209,483	(17.3)
	DYK DAP Phase II	155,629	259,796	(40.1)
	Group total	351,972	515,122	(31.7)
Chemical Products				
Methanol	Hainan Phase I	284,073	316,768	(10.3)
	Hainan Phase II	370,617	405,393	(8.6)
	Group total	654,690	722,161	(9.3)

Note 1: In the first half of 2023, the DYK DAP Phase I Plant produced 0 tonnes of DAP and 179,561 tonnes of compound fertilisers, amounting to 179,561 tonnes in total, and sold 8,095 tonnes of DAP and 165,113 tonnes of compound fertilisers, amounting to 173,208 tonnes in total. 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.

CEO's Report

Dear shareholders,

In the first half of 2023, the domestic economy continued to recover and the overall situation was optimistic, while facing challenges such as insufficient domestic demand and a complex and tough external environment. The Company actively responded to the challenging market environment and continued to improve its safety production management standards. It gave full play to its marketing business as the “second engine” by intensifying agrochemical service and enhancing product brand premium. The Company also enhanced the efficiency of input-output costs through comprehensive efforts in cost reduction and efficiency enhancement. For the first half of the year, the Company achieved revenue of RMB6,176 million and profit attributable to owners of the Company of RMB1,715 million, which was the best performance in the same period in history.

The Company has consistently adhered to a philosophy of green and sustainable development. The Company's methanol plant was awarded the honorary title of “Energy Efficiency Leader” by the China Petroleum and Chemical Industry Federation for 12 consecutive years, and the synthetic ammonia plant was awarded the honorary title of “Water Efficiency Leader” by the China Nitrogen Fertiliser Industry Association for four consecutive years.

Review of the first half of the year

During the reporting period, the Company continued to strengthen production control and safety management, and the overall safe production situation was stable and positive. The Company's main facilities have achieved long-term operation. In particular, the C series of Dayukou Chemical's sulfuric acid achieved long-term operation for 301 days, and CNOOC Huahe's chemical fertilizer plant achieved long-term operation for 228 days, both breaking historical records. CNOOC Huahe's urea production volume reached a record high. As a result, the Company produced 1.044 million tonnes of urea, 687,000 tonnes of methanol, and 401,000 tonnes of phosphate fertilizer and compound fertilizers in the first half of the year.

In terms of marketing, the Company accurately assessed the market, strengthened refined pricing, increased product selling prices, achieved high prices and oversold. It fully promoted the off-season export of chemical fertilizers and focused on the development of high-quality trade. The Company deepened its brand building and actively established itself as a “Plant Nutrition Solution Provider”. In the first half of the year, the Company sold 1.045 million tonnes of urea, 655,000 tonnes of methanol and 352,000 tonnes of phosphate fertilizer and compound fertilizers.

The acrylonitrile project made steady progress with its trial operation, producing 57,000 tonnes of acrylonitrile and relating products in the first half of the year. The equity interest transfer transaction of CNOOC Tianye was successfully completed.

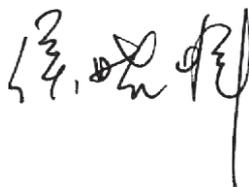
In the first half of the year, the Company continued to implement the national “dual carbon” work requirements, implemented a green and low-carbon development strategy, explored the development opportunities of the green methanol industry and reached cooperation consensus with downstream enterprises. Energy efficiency indicators continued to maintain the leading position in the industry, and energy saving and emission reduction indicators performed well overall.

Outlook for the second half of 2023

Looking ahead to the second half of the year, the net domestic urea supply will be flat or slightly higher year-on-year, and domestic supply and demand will be basically balanced, resulting in a significant increase in exports. The overall urea market is expected to be volatile and the price will show periodic improvement during the period when demand is concentrated. After the continuous decline of phosphate fertilizer, with the recovery and concentrated release of demand, the price of phosphate fertilizer has a certain foundation for stabilising and rebounding in the third quarter, which is related to the trend of international market prices and raw material costs. However, the overall oversupply situation may persist, and the price is still at risk of falling in the fourth quarter. In the context of stable domestic economic growth, the oversupply of methanol will be alleviated. As the macro environment is expected to improve, the market is likely to be dominated by wide oscillations. Supported by raw materials and demand, acrylonitrile market prices may rise slightly.

In the second half of the year, the Company will continue to improve the safe and stable operation of production plants and promote the completion of HSE “re-systemization” construction. It will continuously optimize business models and further promote the brand strategy while strengthening warehouse management and giving full play to the advantage of inventory premium. At the same time, it will promote the analysis of digital scenarios in areas such as smart factories, smart terminals and smart sales. It will focus on the construction of terminals in Basuo Port to promote the development of international trade and the port logistics service industry, and actively develop the clean energy industry and promote green and low-carbon development.

Hou Xiaofeng
Chief Executive Officer (CEO), President



Management Discussion and Analysis

Sector Review

Chemical fertiliser industry

Food security is the “Top priorities of China” and the state emphasises on strengthening the protection of cultivated land and improving the quality of cultivated land. According to the Action Plan for Fertiliser Reduction by 2025, fertiliser reduction and efficiency improvement will continue to advance, and the pace of phasing out enterprises with backward or limited production capacity will be accelerated further in the industry.

In the first half of 2023, affected by the weak global economy, falling prices of raw materials, sufficient supply and falling prices of international chemical fertilisers, the overall domestic chemical fertiliser market has been weak and the price has been fluctuating and decreasing.

(I) Urea

In the first half of 2023, the domestic urea market showed a fluctuating downward trend. In the first quarter of the year, during the peak season of domestic agricultural demand, since the production of compound fertilizers started well, the demand for raw materials was high, and other industrial demand was also strong, supporting the price of urea to operate at a high level of RMB2,700 per tonne. In the second quarter of the year, the production of urea started and remained at a high level, with an average daily production of over 170 thousand tonnes, while the agricultural demand decreased, and the purchase was conducted based on rigid demand in respect of industrial demand. Coupled with the sharp decline in international market prices and poor exports, the overall demand was difficult to support the high level of urea. After April, the price of urea began to decline sharply, falling to the lowest in the first half of the year in mid-June, and the main production area fell by more than RMB700 per tonne. At the end of June, the domestic summer agricultural demand started intensively and the price of urea rebounded accordingly.

(II) Phosphate fertilisers

In the first half of 2023, the phosphate fertiliser industry started stably, with sufficient supply during the spring farming period and a slight increase in price. After the end of the spring farming and fertiliser use in May, the prices dropped significantly. In the first quarter of the year, supported by the demand for the fertiliser preparation during spring farming, the domestic DAP market remained stable with a strong trend. The mainstream ex-factory price of DAP in Hubei was RMB3,800-RMB3,850 per tonne. In the second quarter of the year, due to the decrease in agricultural demand, coupled with the low cost and the downward trend of international prices, the price of DAP dropped rapidly from a high level. The mainstream ex-factory prices of MAP and DAP decreased by over RMB1,000 per tonne and RMB600 per tonne, respectively, from approximately RMB3,400 per tonne and approximately RMB3,800 per tonne in the beginning of the year, respectively, to RMB2,400 per tonne and RMB3,200 per tonne, respectively, at the end of June.

Chemical industry

In the first half of 2023, the prices of chemical products continued to fluctuate and fall. Affected by factors such as overall negative macroeconomic conditions, weak domestic and overseas demand, and weak cost support, the market price of chemical products showed a continuous downward trend. With the deterioration of macro expectations, the supply and demand side continued to be imbalanced, and the market price was deeply adjusted.

(I) Methanol

According to industry statistics, in the first half of 2023, the domestic production volume of methanol decreased by 420 thousand tonnes or approximately 1.21% compared to the corresponding period of last year to approximately 35.01 million tonnes. According to customs data, the import volume was approximately 6.60 million tonnes, representing an increase of 590 thousand tonnes or 9.8% compared to the corresponding period of last year.

The overall methanol market prices fluctuated downward in the first half of the year. The market supply and demand were gradually loosened up during the first quarter of the year with methanol market prices rose at first and tailed off subsequently. In particular, the market prices in Guangdong ranged from RMB2,565 to RMB2,750 per tonne and the methanol prices in Inner Mongolia ranged from RMB2,135 to RMB2,365 per tonne. Due to the overall macro environment continued to be negative, gradually increasing import supply and insufficient cost support, market prices experienced downward fluctuations in the second quarter of the year. The market prices in Guangdong ranged from RMB2,020 to RMB2,665 per tonne and the methanol prices in Inner Mongolia ranged from RMB1,640 to RMB2,270 per tonne.

(II) Acrylonitrile

In the first half of 2023, the price of acrylonitrile increased in the early period and fluctuated downward in the later period. At the beginning of the year, with the slight increase in the price of raw material propylene and the resumption of downstream production after the holiday season, the acrylonitrile industry ushered in a slight recovery. After that, affected by factors such as the commencement of production of new facilities, the decline in raw materials price and the weak demand, the acrylonitrile market fell back. In May, the cost support and demand further weakened, and the price of acrylonitrile showed a rapid downward trend. At the end of June, the market price of acrylonitrile stood at RMB7,887 per tonne, representing a decrease of 17.84% from RMB9,600 per tonne at the beginning of the year, and a decrease of 26.97% from the peak of RMB10,800 per tonne in February.

Business Review

During the reporting period, the Company continued to strengthen production control and safety management, and the situation of safety and production was generally stable and positive. The Company's main facilities have achieved long-term operation. In particular, the C series sulfuric acid of Hubei Dayukou Chemical Limited* (湖北大峪口化工有限責任公司, "Dayukou Chemical") achieved long-term running for 301 days, and CNOOC Huahe Coal Chemical Limited* (中海石油華鶴煤化有限公司, "CNOOC Huahe") chemical fertiliser plant achieved long-term running for 228 days, both breaking historical records. The operation rate of the CNOOC Huahe's urea plant reached 131%, and the urea production volume hit a record high accordingly. As a result, the Company produced 1.044 million tonnes of urea, 687 thousand tonnes of methanol, 401 thousand tonnes of phosphate fertilisers and compound fertilisers in the first half of the year.

During the first half of 2023, facing the severe market situation, the Company accurately judged the market and strengthened refined pricing, fully promoted the export of chemical fertilisers during off-season and focused on the development of high-quality trade, deepened its brand building and actively established itself as a "Plant Nutrition Solution Provider". In the first half of the year, the Company sold 1.045 million tonnes of urea, 655 thousand tonnes of methanol and 352 thousand tonnes of phosphate fertilisers and compound fertilisers.

The acrylonitrile project steadily advanced trial operation, producing 57,000 tonnes of acrylonitrile and relating products in the first half of the year. The equity interests transfer transaction of CNOOC Tianye was successfully completed.

In the first half of 2023, the Company continued to implement the national "dual carbon" work requirements, implemented the green and low-carbon development strategy, explored the development opportunities of the green methanol industry, and reached cooperation consensus with downstream enterprises such as China COSCO Shipping Corporation Limited (中國遠洋海運集團), Zhejiang Geely Holding Group Co., Ltd. (浙江吉利控股集團) and Shanghai Yazuishou Supply Chain Management Co., Ltd.* (上海鴨嘴獸供應鏈管理有限公司). The Company continued to maintain its position as an industry leader in terms of energy efficiency indicators, and the overall performance of energy conservation and emission reduction indicators was good.

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					
	2023			2022		
	Production volume (tonnes)	Sales volume (tonnes)	Utilisation rate (%)	Production volume (tonnes)	Sales volume (tonnes)	Utilisation rate (%)
Chemical fertilisers						
Urea						
Fudao Phase I	288,492	280,033	111.0	273,664	277,309	105.3
Fudao Phase II	414,717	402,433	103.7	324,407	334,432	81.1
CNOOC Huahe	340,707	362,527	131.0	310,945	337,397	119.6
Group total	1,043,916	1,044,993	113.5	909,015	949,139	98.8
Phosphate fertilisers and Compound fertilisers						
DYK MAP	20,885	23,135	27.8	45,542	45,843	60.7
DYK DAP Phase I (Note 1)	179,561	173,208	102.6	185,272	209,483	105.9
DYK DAP Phase II	200,868	155,629	80.3	291,400	259,796	116.6
Group total	401,314	351,972	80.3	522,214	515,122	104.4
Chemical products						
Methanol						
Hainan Phase I	296,083	284,073	98.7	336,023	316,768	112.0
Hainan Phase II	390,580	370,617	97.6	437,434	405,393	109.4
Group total	686,663	654,690	98.1	773,457	722,161	110.5

Note 1: In the first half of 2023, the DYK DAP Phase I Plant produced 0 tonnes of DAP and 179,561 tonnes of compound fertilisers, amounting to 179,561 tonnes in total, and sold 8,095 tonnes of DAP and 165,113 tonnes of compound fertilisers, amounting to 173,208 tonnes in total. 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.

BB fertilisers

In the first half of 2023, the Group produced a total of 11,372 tonnes of BB fertilisers with a sales volume of 13,199 tonnes.

Financial Review

Revenue and gross profit

During the reporting period, the Group's revenue was RMB6,175.7 million, representing a decrease of RMB1,195.1 million, or 16.2%, from that of RMB7,370.8 million in the corresponding period of 2022. This was primarily attributable to the year-on-year decrease in the selling prices of urea, methanol and phosphate and compound fertilisers of the Group.

During the reporting period, the Group realised an external revenue from urea of RMB2,520.0 million, representing an increase of RMB33.6 million, or 1.4%, from that of RMB2,486.4 million in the corresponding period of 2022. This was primarily attributable to (1) an increase of 95,855 tonnes in the sales volume of urea, which increased the revenue by RMB251.1 million; and (2) a decrease of RMB208.2 per tonne in the selling price of urea, which decreased the revenue by RMB217.5 million and partially offset the above increase.

During the reporting period, the Group realised an external revenue from phosphate fertilisers and compound fertilisers of RMB1,193.6 million, representing a decrease of RMB588.3 million, or 33.0%, from that of RMB1,781.9 million in the corresponding period of 2022. This was primarily attributable to (1) a decrease of RMB67.9 per tonne in the selling price of phosphate and compound fertilisers, which decreased the revenue by RMB23.9 million; and (2) a decrease of 163,150 tonnes in the sales volume of phosphate and compound fertilisers, which decreased the revenue by RMB564.4 million.

During the reporting period, the Group realised an external revenue from methanol of RMB1,400.0 million, representing a decrease of RMB338.1 million, or 19.5%, from that of RMB1,738.1 million in the corresponding period of 2022. This was primarily attributable to (1) a decrease of RMB268.5 per tonne in the selling price of methanol, which decreased the revenue by RMB175.7 million; and (2) a decrease of 67,477 tonnes in the sales volume of methanol, which decreased the revenue by RMB162.4 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 acrylonitrile, POM, BB fertilisers and liquid ammonia) of RMB1,062.1 million, representing a decrease of RMB302.3 million, or 22.2%, from that of RMB1,364.4 million in the corresponding period of 2022. This was primarily attributable to (1) an increase of RMB230.6 million in revenue due to the kick off of the operation of the acrylonitrile; (2) an increase of RMB65.3 million in revenue from POM due to the increase in its sales volume albeit a decrease in its price this year; (3) an increase of RMB2.5 million in revenue from BB fertilisers due to their increased sales volume albeit a decrease in their price; (4) a decrease of RMB584.3 million in revenue from the trading business this year as compared to same period of 2022 due to the decrease in trading volume of the Company; (5) a decrease of RMB16.0 million in revenue from the sales of liquid ammonia, formaldehyde and carbon dioxide, etc., and (6) a decrease of RMB0.3 million in revenue due to cargo handling and transportation volumes of Basuo Port.

During the reporting period, the Group's gross profit was RMB1,063.6 million, representing a decrease of RMB344.4 million, or 24.5%, from that of RMB1,408.0 million in the corresponding period of 2022. This was primarily attributable to (1) an increase of RMB157.2 million in gross profit of urea due to a decrease in its sales price offset by an increase in its production and sales volume, as well as a decrease in its cost; (2) an increase of RMB5.9 million in gross profit of POM due to an increase in its sales volume albeit a decrease in its price; (3) a decrease of RMB318.5 million in the gross profit of methanol due to a decrease in its production and sales volume arising from the overhaul of methanol plant, as well as an increase in its cost coupled with a decline in its prices; (4) a decrease of RMB53.0 million in gross profit of phosphate and compound fertilisers due to a decline in their prices and a decrease in their sales volume; (5) a decrease of RMB88.9 million in gross profit of the acrylonitrile; (6) a decrease of RMB23.6 million in gross profit of the trading; and (7) a decrease of RMB23.5 million in gross profit of other segments.

Other income and other gains and losses

During the reporting period, the Group's other income was RMB57.5 million, representing an increase of RMB24.8 million, or 75.6%, from that of RMB32.7 million in the corresponding period of 2022. This was primarily attributable to (1) a year-on-year increase of RMB19.1 million in receipts of each government grants; (2) an increase of RMB4.5 million in gain from the wealth management products; (3) an increase of RMB1.6 million in sales of material.

During the reporting period, the Group's other gains and losses amounted to RMB45.2 million, representing an increase

of RMB10.6 million, or 30.4%, from that of RMB34.6 million in the corresponding period of 2022. This was primarily attributable to a gain of RMB44.6 million on maturity of wealth management products during the first half of the year, compared to RMB33.7 million in the previous year.

Selling and distribution costs

During the reporting period, the Group's selling and distribution costs amounted to RMB47.2 million, representing a decrease of RMB11.9 million, or 20.2%, from that of RMB59.1 million in the corresponding period of 2022. This was primarily attributable to (1) a decrease of RMB8.3 million in sales fees due to the decrease in sales volume; and (2) a decrease of RMB3.6 million in sales agent fees.

Administrative expenses

During the reporting period, the Group's administrative expenses amounted to RMB272.7 million, representing an increase of RMB21.3 million, or 8.5%, from that of RMB251.4 million in the corresponding period of 2022. This was primarily attributable to (1) an increase of RMB15.2 million in staff costs; (2) a decrease of RMB4.4 million in taxes and surcharges; (3) an increase of RMB6.9 million in travel fees, property fees, safety and environmental protection fees.

Other expenses

During the reporting period, the Group's other expenses amounted to RMB3.6 million, representing a decrease of RMB17.0 million, or 82.5%, from that of RMB20.6 million in the corresponding period of 2022. This was primarily attributable to a decrease of RMB17.1 million in external donations.

Finance income and finance costs

During the reporting period, the Group's finance income amounted to RMB161.5 million (of which finance income from sizable certificate of deposit business amounted to RMB152.8 million), representing an increase of RMB9.3 million from that of RMB152.2 million (of which finance income from sizable certificate of deposit business amounted to RMB144.2 million) in the corresponding period of 2022.

During the reporting period, the Group's finance costs amounted to RMB10.0 million, representing a decrease of RMB3.6 million from that of RMB13.6 million in the corresponding period of 2022. Such decrease in finance costs was due to the reduction in the financings of CNOOC Huahe and Dayukou Chemical.

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

Net exchange losses

During the reporting period, the Group recorded net exchange losses of RMB13.2 million, representing an increase in loss of RMB9.7 million from net exchange gains of RMB3.5 million in the corresponding period of 2022. It was mainly the exchange losses arising from the Company's dividend transactions and export forward letter of credit receipts attributable to exchange rate fluctuations.

Gain on disposal of some of subsidiaries

During the reporting period, the Group recorded a gain of RMB852.4 million from the disposal of 67% equity interest in CNOOC Tianye.

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 RMB0.8 million, representing a decrease of RMB1.0 million, or 56.9%, from that of RMB1.8 million in the corresponding period of 2022. This was primarily attributable to (1) the recognition of a decrease of RMB0.6 million in the investment income in Guizhou Jinlin Chemical Co., Ltd. (貴州錦麟化工有限責任公司) for the year; (2) the recognition of a decrease of RMB1.0 million in the investment income in United Wealthfert Co., Ltd. (聯合惠農農資(北京)有限公司) for the year; (3) the recognition of a year-on-year increase of RMB0.7 million in the investment income in CBC (Canada) Holding Corp.

Income tax expenses

During the reporting period, the Group's income tax expenses amounted to RMB114.9 million, representing a decrease of RMB135.0 million from that of RMB249.9 million in the corresponding period of 2022. This was primarily attributable to (1) excluding the impact of the disposal of equity interests in CNOOC Tianye on the consolidated profit, a year-on-year decrease in operating profit before tax recorded by the Group for the year, which resulted in a corresponding decrease of RMB52.1 million in current income tax expenses; and (2) a decrease of RMB82.9 million in deferred income tax expenses (deferred income tax assets with future loss carry-forwards arising from the loss of equity interests due to the completion of the disposal of equity interests in CNOOC Tianye by the Company in the first half of the year).

Net profit for the period

During the reporting period, the Group's net profit was RMB1,725.5 million, representing an increase of RMB679.5 million, or 65.0%, as compared with that of RMB1,046.0 million for the corresponding period of 2022.

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 2023. During the reporting period, the Company made dividend payments for 2022 in cash in the total amount of RMB820.6 million.

Capital expenditures

During the reporting period, the Group had total capital expenditures of RMB172.4 million, including RMB142.3 million for construction of the midstream and downstream projects, RMB3.6 million for base construction (production accessories), RMB12.7 million for technical renovation projects, RMB10.9 million for energy conservation, safety and environmental protection projects, RMB0.4 million for informatization construction and electronic office equipment and RMB2.5 million for technology research (capital expenditures) projects.

The key projects mainly included: (1) the expenditure of the acrylonitrile project of the Company in the amount of RMB86.3 million; (2) the expenditure of the underground mining engineering project of Dayukou Chemical with an annual phosphate ore output of 1.60 million tonnes in the amount of RMB22.7 million; (3) the expenditure of the extension project below the -80m level of middle section of Dayukou Chemical's mining in the amount of RMB15.5 million.

Pledge of assets

As at 30 June 2023, 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 relatively high 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 2023, the Group had total interest-bearing liabilities of RMB2,000 million, of which RMB210 million were fixed-rate liabilities and the remaining were floating-rate liabilities. The gearing ratio of the Group as at 30 June 2023 (calculated as interest-bearing liabilities divided by the sum of equity and interest-bearing liabilities) was 9.7%.

Cash and cash equivalents

At the beginning of 2023, the Group had cash and cash equivalents of RMB528.8 million. For the first half of 2023, net cash inflow from operating activities was RMB378.5 million, net cash inflow from investing activities was RMB1,011.8 million, net cash outflow from financing activities was RMB854.9 million, and the increase in cash and cash equivalents due to the effect of foreign exchange rate changes was RMB0.1 million. As at 30 June 2023, the Group's cash and cash equivalents were RMB1,064.4 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 of 30 June 2023, the Group had a total of 4,067 employees, and the total remuneration and allowances of employees amounted to approximately RMB250.3 million for the first half of 2023. 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 mechanism effectively provides incentive to its staff. The Company determines staff remuneration according to their positions, performances and capabilities.

As of 30 June 2023, the Company strictly followed the annual training plan with a total of 48,930 enrolments and a total of 145,558 training hours. The Company also organised a total of 4,788 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 61,511 enrolments and 158,842 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 6.7130 and 7.2258. 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 2023, the balance of the Group's deposits in USD was US\$1.5 million.

Inflation and currency risk

According to the National Bureau of Statistics of China, the consumer price index of the PRC increased by 0.7% year-on-year 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.

During the reporting period, the disposal of 67% equity interest in CNOOC Tianye was completed. On 22 February 2023, the Company received the transaction certificate of state-owned assets in relation to 67% equity interest in CNOOC Tianye issued by China Beijing Equity Exchange. On 24 February 2023, the Company received all the transaction price. On 27 April 2023, the transfer of management rights was completed. On 29 June 2023, the change of industrial and commercial registration was completed, and CNOOC Tianye was renamed as PetroChina (Inner Mongolia) New Material Co., Ltd.* (中石油(內蒙古)新材料有限責任公司), owned as to 67%, 25.27% and 7.73% by PetroChina Company Limited (中國石油天然氣股份有限公司), the Company and Inner Mongolia Financial Investment Group Co., Ltd.* (內蒙古金融投資集團有限公司), respectively.

During the reporting period, the proposed disposal of approximately 79.98% equity interests held by the Company in Dayukou Chemical was terminated. Please refer to the announcement of the Company dated 29 June 2023 for details.

During the reporting period, the proposed acquisition of 100% equity interests in CNOOC Orient Petrochemical Co., Ltd. (中海石油東方石化有限責任公司) was terminated. Please refer to the announcement of the Company dated 28 March 2023 for details.

Sector Outlook

In the second half of 2023, the net domestic urea supply will be flat year-on-year or slightly increase, and the domestic supply and demand will be basically balanced. It is expected that the overall domestic urea market will show a trend of oscillation in the second half of the year, and the price will show periodic improvement during the period when demand is concentrated. In the second half of the year, the excessive phosphate fertilisers supply over demand is expected to continue, the market supply will be relatively loosen up, and the cost support will further decline as the price of raw materials declines. The price may continue to find a market bottom, thereby, which will be sensitive to the international market conditions and the price trend of raw materials. In the second half of the year, against the backdrop of stable economic growth in China, the oversupply of methanol will be alleviated. Under the situation of expected improvement in the macro views, it is expected that the market will mainly present a sharply volatile trend, which will be highly sensitive to impacts of the seasonal demand and supply of downstream industries, the crude oil prices and methanol futures on the market. In the first half of the year, the price of acrylonitrile fell sharply and the industry was almost not profitable. In the second half of the year, with the support of raw materials and demand, the market price of acrylonitrile may stop falling and stabilise, and the price may rise to a certain extent.

Our Key Tasks in the second half of 2023

1. To continue to enhance the safe and stable operation of production plants, and complete the new HSE management system;
2. To continue to optimise the business models, comprehensively strengthen brand building, and continue to leverage the marketing efficiency;
3. Comprehensively strengthen warehouse management and give full play to the advantage of inventory premium;
4. Promote the analysis of digital scenarios in areas such as smart factory, smart terminal and smart sale;
5. Focus on the construction of terminals in Basuo Port to promote the development of international trade and port logistics service industry; and
6. Actively deploy the clean energy industry and promote green and low-carbon development.

Supplemental Information

Audit Committee

The Audit Committee has reviewed, with the management of the Company, 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 2023. The Group's unaudited interim results for the six months ended 30 June 2023 have been reviewed independently by the Company's external auditor, 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 BDO Limited, the independent auditor, has any disagreement over the accounting treatments adopted in preparing the interim results for 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 2023, 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").

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.

Disclosures on Changes of Directors, Supervisors and Chief Executive

On 28 March 2023, Mr. Li Zhi resigned from his position as an executive Director due to other work commitment.

The appointment of Mr. Li Ruiqing as an executive Director was approved at the 2022 annual general meeting of the Company held on 25 May 2023, with effect from 25 May 2023.

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 2023, all members of the Board and all supervisors have complied with the required standards as set out in the Model Code.

Interests of Substantial Shareholders

As at 30 June 2023, 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)	Description of shares	Approximate percentage of shareholding in domestic shares / H shares (as appropriate) (%) (Note 1)	Approximate percentage of total shares in issue (%)
China National Offshore Oil Corporation (Note 2)	Beneficial owner	2,738,999,512(L)	Domestic Shares	97.33(L)	59.41(L)
MGD Holdings (Note 3)	Interests in controlled corporation	277,062,000(L)	H Shares	15.43(L)	6.01(L)
Hermes Investment Management Ltd	Investment manager	201,156,075(L)	H Shares	11.20(L)	4.36(L)
Hermes Investment Funds PLC	Beneficial owner	143,333,345(L)	H Shares	7.98(L)	3.11(L)
Edgbaston Investment Partners LLP	Investment manager	106,376,000(L)	H Shares	5.92(L)	2.31(L)

Notes: The letter (L) denotes long position.

- (1) The calculation is based on the total issued share capital of the Company of 4,610,000,000 shares as of 30 June 2023, including 2,813,999,878 domestic shares and 1,796,000,122 H shares.
- (2) Mr. Huang Hulong and Mr. Zhao Baoshun, the non-executive Directors, also serve as full-time despatched directors by CNOOC.
- (3) 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 2023, 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 or Redemption of the Listed Securities of the Company and its Subsidiaries

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company or any of its subsidiaries.

Interests and Short Positions of Directors, Supervisors and Chief Executive in Shares

As at 30 June 2023, 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 2023 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, 19 August 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Notes	Six months ended	
		30 June 2023 RMB'000 (Unaudited)	30 June 2022 RMB'000 (Unaudited)
Revenue	4	6,175,701	7,370,785
Cost of sales		(5,112,084)	(5,962,735)
Gross profit		1,063,617	1,408,050
Other income, net	4	57,476	32,734
Other gains and losses	5	45,161	34,625
Selling and distribution costs		(47,168)	(59,139)
Administrative expenses		(272,738)	(251,358)
Other expenses		(3,611)	(20,610)
Change in fair value of financial assets at fair value through profit or loss		6,150	14,826
Finance income		161,454	152,152
Finance costs	6	(9,957)	(13,576)
Exchange losses, net	7	(13,183)	(3,502)
Gain on deemed disposal of a subsidiary	29	852,397	-
Share of losses of joint ventures		(499)	(569)
Share of profits of associates		1,259	2,333
Profit before income tax expenses	8	1,840,358	1,295,966
Income tax expenses	9	(114,885)	(249,940)
Profit for the period		1,725,473	1,046,026
Other comprehensive income for the period, net of tax			
Items that may be reclassified subsequently to profit or loss			
Exchange difference arising on translation of foreign operations		106	78
Share of other comprehensive (expense)/income of joint ventures		(340)	396
Share of other comprehensive income of associates		40	-
Other comprehensive (expense)/income for the period		(194)	474
Total comprehensive income for the period		1,725,279	1,046,500

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

For the six months ended 30 June 2023

	Notes	Six months ended	
		30 June 2023	30 June 2022
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Profit for the period attributable to:			
Owners of the Company		1,715,398	936,965
Non-controlling interests		10,075	109,061
		1,725,473	1,046,026
Total comprehensive income for the period attributable to:			
Owners of the Company		1,715,204	937,439
Non-controlling interests		10,075	109,061
		1,725,279	1,046,500
Earnings per share attributable to owners of the Company			
- Basic for the period (RMB per share)	10	0.37	0.20

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	7,092,038	7,037,734
Mining rights		128,710	129,176
Prepaid lease payments	12	354,704	359,510
Investment properties		63,098	65,194
Intangible assets		75,059	32,856
Interests in joint ventures	13	293,882	295,244
Interests in associates	14	111,578	34,423
Financial assets at fair value through other comprehensive income		600	600
Deferred tax assets	15	141,057	53,356
Other long-term prepayments for property, plant and equipment		76,347	4,810
Loan receivable	16	763,568	-
		9,100,641	8,012,903
CURRENT ASSETS			
Inventories	17	1,348,038	1,189,994
Trade receivables	18	144,949	284,584
Bills receivable	19	32,574	136,817
Contract assets		18,997	11,612
Prepayments, deposits and other receivables	20	687,212	588,240
Financial assets at fair value through profit or loss	21	1,156,150	3,617,572
Value-added tax recoverable		243,465	164,006
Pledged bank deposits		818	4,203
Time deposits with original maturity over three months		9,900,000	8,400,000
Cash and cash equivalents	22	1,064,373	528,777
		14,596,576	14,925,805
A disposal group classified as held for sale		-	558,951
		14,596,576	15,484,756
TOTAL ASSETS		23,697,217	23,497,659
EQUITY			
CAPITAL AND RESERVES			
Issued capital	23	4,610,000	4,610,000
Reserves		13,029,613	11,316,560
Proposed dividends	24	-	820,580
		17,639,613	16,747,140
Equity attributable to owners of the Company		17,639,613	16,747,140
Non-controlling interests		1,132,026	1,029,450
TOTAL EQUITY		18,771,639	17,776,590

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - Continued

As at 30 June 2023

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
LIABILITIES			
NON-CURRENT LIABILITIES			
Benefits liability		271,292	294,377
Interest-bearing bank and other borrowings	25	1,428,296	1,185,762
Lease liabilities		5,536	6,458
Deferred tax liabilities	15	16,944	14,217
Deferred revenue	26	109,111	112,000
Other long-term liabilities		5,949	5,736
		1,837,128	1,618,550
CURRENT LIABILITIES			
Trade payables	27	1,178,906	1,346,483
Contract liabilities		486,115	782,618
Other payables and accruals	28	757,921	628,066
Interest-bearing bank and other borrowings	25	572,087	869,149
Lease liabilities		8,978	16,986
Income tax payable		84,443	125,555
		3,088,450	3,768,857
Liabilities associated with a disposal group classified as held for sale		-	333,662
		3,088,450	4,102,519
TOTAL LIABILITIES		4,925,578	5,721,069
TOTAL EQUITY AND LIABILITIES		23,697,217	23,497,659
NET CURRENT ASSETS		11,508,126	11,382,237
TOTAL ASSETS LESS CURRENT LIABILITIES		20,608,767	19,395,140
NET ASSETS		18,771,639	17,776,590

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	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 2023	4,610,000	1,109,316	1,806,554	74,648
Profit for the period	-	-	-	-
Other comprehensive expense for the period	-	-	-	-
Total comprehensive income for the period	-	-	-	-
Appropriation and utilisation of safety fund, net	-	-	-	23,307
2022 final dividends paid (Note 24)	-	-	-	-
Capital contribution from non-controlling interests	-	-	-	-
Deemed disposal of a subsidiary (Note 29)	-	-	-	(2,151)
Dividends paid to non-controlling interest	-	-	-	-
Balance at 30 June 2023 (Unaudited)	4,610,000	1,109,316	1,806,554	95,804
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 24)	-	-	-	-
Dividends paid to non-controlling interest	-	-	-	-
Balance at 30 June 2022 (Unaudited)	4,610,000	1,109,316	1,766,468	88,288

Notes:

- i. The capital reserve mainly comprises of (i) share premium arising from the issuance of H shares; and (ii) contribution and distribution from/to ultimate holding company.
- ii. Statutory surplus reserve represents statutory reserve fund. In accordance with relevant rules and regulations in the People's Republic of China (the "PRC"), the Group's PRC subsidiaries are required to transfer an amount of their profit after income tax to the statutory reserve fund at financial year end, until the accumulated total of the fund reaches 50% of their registered capital. The appropriation to the statutory reserve fund is determined by the articles of association of the Company's subsidiaries and approval by the boards of directors of the subsidiaries.
- iii. Special reserve represents safety fund. The Group's PRC subsidiaries are required to appropriate an amount of safety fund, in accordance with relevant PRC rules and regulations. Safety fund is used to improve, renovate and maintain safety facilities and equipment and update the safety supplies for the operation personnel, etc.

Retained earnings RMB'000	Proposed dividends RMB'000	Translation reserve RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
8,323,959	820,580	2,083	16,747,140	1,029,450	17,776,590
1,715,398	-	-	1,715,398	10,075	1,725,473
-	-	(194)	(194)	-	(194)
1,715,398	-	(194)	1,715,204	10,075	1,725,279
(23,307)	-	-	-	-	-
-	(820,580)	-	(820,580)	-	(820,580)
-	-	-	-	205,800	205,800
-	-	-	(2,151)	46,952	44,801
-	-	-	-	(160,251)	(160,251)
10,016,050	-	1,889	17,639,613	1,132,026	18,771,639
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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Note	Six months ended	
		30 June 2023	30 June 2022
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Net cash from operating activities		378,521	744,598
Net cash from investing activities			
Interest received		161,454	152,152
Dividend received from associates		2,305	2,884
Dividend received from joint ventures		523	584
Government grants received		32,317	6,707
Placement of time deposits with original maturity over three months		(2,000,000)	-
Withdrawal of time deposits with original maturity over three months		500,000	-
Purchase of property, plant and equipment		(305,169)	(514,381)
Proceeds from disposal of property, plant and equipment		17,352	7,824
Purchase of intangible assets		(48,592)	-
Purchase of investment properties		(1,487)	-
Purchase of financial assets at fair value through profit or loss		(1,150,000)	(3,200,000)
Disposal of financial assets at fair value through profit or loss		3,662,130	3,283,749
Proceeds from disposal of prepaid lease payments		-	479
Proceeds from deemed disposal of a subsidiary	29	140,996	-
Net cash flow from/(used in) investing activities		1,011,829	(260,002)
Net cash from financing activities			
Dividends paid		(820,580)	(711,138)
Dividends paid to non-controlling interests		(160,251)	(161,491)
Decrease in pledged bank deposits		3,385	6,000
New bank and other borrowings raised		1,234,367	1,233,916
Repayment of bank and other borrowings		(1,288,895)	(639,073)
Interest paid		(9,765)	(13,065)
Payment of lease liabilities		(9,486)	(1,656)
Capital contribution from non-controlling interests		205,800	-
Other finance charges		(9,435)	(10,363)
Net cash flow used in financing activities		(854,860)	(296,870)
Net increase in cash and cash equivalents		535,490	187,726
Cash and cash equivalents at beginning of the period		528,777	674,449
Effect of foreign exchange rate changes		106	2,575
Cash and cash equivalents at end of the period		1,064,373	864,750

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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.

The accounting policies and the significant judgments made by the management in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2022.

The IASB has issued new or amended International Financial Reporting Standard (“**IFRS Accounting Standards**”) that is first effective on 1 January 2023 and is therefore applicable for the current accounting period of the Group.

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
Amendments to IAS 12	International Tax Reform - Pillar Two Model Rules

The new or amended IFRS Accounting standards 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 2023

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, exchange losses, net, other gains and losses, other expenses, change in fair value of financial assets at fair value through profit or loss ("FVTPL"), gain on deemed disposal of a subsidiary, share of results 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 2023

3. OPERATING SEGMENT INFORMATION - Continued

	Urea RMB'000	Phosphorus and compound fertiliser RMB'000	Methanol RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Six months ended						
30 June 2023 (Unaudited)						
Segment revenue						
Sales to external customers	2,520,008	1,193,639	1,399,979	1,062,075	-	6,175,701
Inter-segment sales	-	-	-	85,174	(85,174)	-
Total	2,520,008	1,193,639	1,399,979	1,147,249	(85,174)	6,175,701
Segment profit/(loss) before income tax expenses	549,733	46,914	297,231	(92,691)	-	801,187
Interest and unallocated income						212,765
Corporate and other unallocated expenses						(13,568)
Exchange losses, net						(13,183)
Share of losses of joint ventures						(499)
Share of profits of associates						1,259
Gain on deemed disposal of a subsidiary						852,397
Profit before income tax expenses						1,840,358
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)
Exchange losses, net						(3,502)
Share of losses of joint ventures						(569)
Share of profits of associates						2,333
Profit before income tax expenses						1,295,966

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2023

4. REVENUE AND OTHER INCOME

An analysis of revenue and other income is as follows:

	Six months ended	
	30 June 2023	30 June 2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods, recognised at a point in time*	5,986,489	6,991,548
Rendering of services, recognised over time*	189,212	379,237
	6,175,701	7,370,785
Other income, net		
Income from sale of other materials, recognised at a point in time*	12,946	7,783
Income/(loss) from rendering of other services, recognised over time*	236	(260)
Gross rental income	442	377
Government grants [#]	35,206	15,947
Indemnities received	960	2,355
Sundry income	7,686	6,532
	57,476	32,734

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

[#] There are no unfulfilled conditions attaching to the government grants.

5. OTHER GAINS AND LOSSES

	Six months ended	
	30 June 2023	30 June 2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Gain on maturity of financial assets at FVTPL	44,558	33,749
Gain on disposal of property, plant and equipment	603	876
	45,161	34,625

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2023

6. FINANCE COSTS

	Six months ended	
	30 June 2023	30 June 2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	9,407	13,065
Interest on lease liabilities	550	511
	9,957	13,576

7. EXCHANGE LOSSES, NET

	Six months ended	
	30 June 2023	30 June 2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Exchange gains	4,246	2,209
Exchange losses	(17,429)	(5,711)
	(13,183)	(3,502)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2023

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 2023 RMB'000 (Unaudited)	30 June 2022 RMB'000 (Unaudited)
Cost of inventories sold	4,889,260	5,639,964
Write-down of inventories	67,793	-
Cost of services provided	155,031	322,771
Cost of sales recognised as expenses	5,112,084	5,962,735
Depreciation and amortisation:		
Depreciation of property, plant and equipment		
- Owned property, plant and equipment	244,259	253,149
- Right-of-use assets included:		
- Buildings	8,321	1,036
- Plant and machinery	-	1,394
Amortisation of mining rights	466	512
Amortisation of prepaid lease payments	4,806	7,568
Amortisation of investment properties	3,583	2,657
Amortisation of intangible assets	6,389	4,761
	267,824	271,077

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2023

9. INCOME TAX EXPENSES

	Six months ended	
	30 June 2023	30 June 2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
PRC Enterprise Income Tax	199,411	251,392
Under-provision in prior year	448	550
	199,859	251,942
Deferred tax (Note 15)	(84,974)	(2,002)
Total income tax expenses	114,885	249,940

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 2023 and 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2023

10. EARNINGS PER SHARE

	Six months ended	
	30 June 2023	30 June 2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to owners of the Company	1,715,398	936,965
	Six months ended	
	30 June 2023	30 June 2022
	'000	'000
	(Unaudited)	(Unaudited)
Shares		
Number of ordinary shares	4,610,000	4,610,000

The Group had no potential dilutive ordinary shares in issue during the six months ended 30 June 2023 and 2022.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired property, plant and equipment including construction in progress with an aggregate cost amounting to RMB239,248,000 (six months ended 30 June 2022: RMB419,474,000). Property, plant and equipment with carrying amount of RMB16,749,000 (six months ended 30 June 2022: RMB6,948,000) were disposed of during the six months ended 30 June 2023.

12. PREPAID LEASE PAYMENTS

The Group did not acquire any land use right during the six months ended 30 June 2023 and 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2023

13. INTERESTS IN JOINT VENTURES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 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	28,583	29,945
	293,882	295,244

The Group's trade receivables and trade payables with its joint ventures were disclosure in Note 18 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	Direct	Percentage of equity interest attributable to the Company		Principal activities
				30 June 2023 %	31 December 2022 %	
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	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	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	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 2023

14. INTERESTS IN ASSOCIATES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Cost of investment in associates	109,061	33,031
Share of post-acquisition profits and other comprehensive income, net of dividends received	2,517	3,148
Accumulated impairment	-	(1,756)
	111,578	34,423

The Group's loan receivable, trade receivables, other receivables, trade payables and other payables with its associates were disclosed in Notes 16, 18, 20, 27 and 28 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	31 December	
				2023	2022	
				%	%	
中國八所外輪代理有限責任公司(transliterated as China Basuo Overseas Shipping Agency Co., Ltd.)	PRC 16 October 2000	RMB1,800	Indirect	36.56	36.56	Provision of overseas shipping services
中海石油天野化工有限責任公司(transliterated as CNOOC Tianye Chemical Limited) ("CNOOC Tianye") (Note)	PRC 18 December 2000	RMB2,272,856	Direct	25.27	-	Manufacturing and sale of fertilisers and methanol
聯合惠農農資(北京)有限公司(transliterated as United Agricultrual Means of Production (Beijing) Co., Ltd.)	PRC 7 June 2016	RMB100,000	Direct	30.00	30.00	Merchandising

Note: Upon the completion of the equity transaction agreement disclosed in Note 29, the remaining equity interests of 25.27% in CNOOC Tianye held by the Group are recognised as interests in associates.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2023

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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Deferred tax assets	141,057	53,356
Deferred tax liabilities	(16,944)	(14,217)
	124,113	39,139

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2023

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 2022						
(Audited)	17,397	2,538	(27,331)	-	17,582	10,186
(Charge)/credit 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
(Charge)/credit to profit or loss	(37,716)	34,959	(1,407)	-	1,807	(2,357)
Transfer to a disposal group classified as held for sale	2,808	-	26,500	-	-	29,308
At 31 December 2022 and 1 January 2023	(10,617)	37,497	(831)	-	13,090	39,139
(Audited)						
(Charge)/credit to profit or loss	(13,448)	(703)	831	100,092	(1,798)	84,974
At 30 June 2023						
(Unaudited)	(24,065)	36,794	-	100,092	11,292	124,113

As at 30 June 2023, the Group has unused tax losses of RMB586,125,000 (31 December 2022: RMB189,086,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB400,368,000 (31 December 2022: RMBNil) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately RMB185,757,000 (31 December 2022: RMB189,086,000), due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of RMB185,757,000 (31 December 2022: RMB189,086,000) that will expire in 5 years.

At the end of the reporting period, the Group has deductible temporary differences of RMB416,549,000 (31 December 2022: RMB416,550,000) 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 2023

16. LOAN RECEIVABLE

Loan receivable comprises of:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Unsecured loan		
- principal	760,321	-
- interest	3,247	-
	763,568	-

The Group's loan receivable is due from an associate, CNOOC Tianye, and denominated in RMB. The loan receivable is unsecured, interest-bearing at 3.75% per annum and repayable on 8 May 2026.

A maturity profile of the loan receivable as at the end of the reporting periods, based on the maturity date, is as follows:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Over two years but within three years	763,568	-

17. INVENTORIES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Raw materials and spare parts	412,156	535,196
Work in progress	183,943	253,008
Finished goods	818,465	495,464
	1,414,564	1,283,668
Write-down	(66,526)	(68,933)
Transfer to a disposal group classified as held for sale	-	(24,741)
Net realisable value	1,348,038	1,189,994

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2023

18. 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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade receivables	144,949	284,584

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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within one year	131,876	284,434
Over one year but within two years	11,295	150
Over two years but within three years	1,778	-
	144,949	284,584

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Not past due	131,876	284,434
Past due within one year	11,295	150
Past due over one year but within two years	1,778	-
	144,949	284,584

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2023

18. TRADE RECEIVABLES - Continued

Receivables that were not past due related to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due related to a number of independent customers that have a good track record with the Group.

As at 30 June 2023, the expected credit losses (“ECLs”) are assessed collectively for receivables that were not credit-impaired and individually for credit-impaired trade receivables. The ECLs rate for the six months ended 30 June 2023 remained the same as the year ended 31 December 2022. Based on evaluation on ECLs rate and the carrying amount of trade receivables, the directors of the Company are of the opinion that the ECLs in respect of trade receivables are considered as immaterial.

As at 30 June 2023, 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, joint venture and the Company’s subsidiaries’ non-controlling shareholders and the non-controlling shareholders’ subsidiaries (the “Other Related Parties”) included in the above trade receivables, which are unsecured, non-interest-bearing and repayable on similar credit terms to those offered to the major customers of the Group, can be analysed as follows:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
CNOOC group companies	108,497	42,130
Associates	14,533	1,089
Joint venture	-	344
Other Related Parties	-	1,200
	123,030	44,763

19. BILLS RECEIVABLE

The bills receivable of the Group as at 30 June 2023 and 31 December 2022 were all mature within twelve months.

As at 30 June 2023, the Group has transferred bills receivable 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 RMB244,053,000 (31 December 2022: RMB152,116,000). 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 2023, 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 RMB244,053,000 (31 December 2022: RMB152,116,000).

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 2023

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Prepayments	81,084	108,685
Deposits and other receivables	613,920	497,320
Less: impairment loss	(7,792)	(8,857)
	687,212	597,148
Transfer to a disposal group classified as held for sale	-	(8,908)
	687,212	588,240

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Balance at beginning of the period/year	7,792	1,065
Provision of impairment loss	-	7,792
	7,792	8,857
Transfer to a disposal group classified as held for sale	-	(1,065)
Balance at end of the period/year	7,792	7,792

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 2023

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES - Continued

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Ultimate holding company	949	50
CNOOC group companies	9,488	4,986
Associates	38,771	296
	49,208	5,332

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Wealth management products	1,156,150	3,617,572

Financial assets at FVTPL represent wealth management products in licensed bank and financial institutions. Gain on maturity of financial assets at FVTPL of RMB44,558,000 was recognized for the six months ended 30 June 2023 (six months ended 30 June 2022: RMB33,749,000). The wealth management products will mature on 2 April 2024 and 24 April 2024. (31 December 2022: the wealth management products were mature on 15 May 2023, 18 May 2023 and 26 June 2023).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2023

22. CASH AND CASH EQUIVALENT

The Group's bank balances and cash were denominated in RMB as at 30 June 2023 and 31 December 2022, except for amounts of RMB11,160,000 (31 December 2022: RMB3,666,000) which was translated from US\$1,544,000 (31 December 2022: US\$526,000) and RMB5,000 (31 December 2022: RMB6,000) which was translated from HK\$6,000 (31 December 2022: HK\$7,000).

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

As at 30 June 2023, included in the Group's cash and cash equivalents were RMB399,492,000 (31 December 2022: RMB396,374,000) 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.

23. ISSUED CAPITAL

	30 June 2023 (Unaudited)		31 December 2022 (Audited)	
	Number of shares '000	Nominal value RMB'000	Number of shares '000	Nominal value RMB'000
Registered capital	4,610,000	4,610,000	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	2,739,000	2,739,000
- Other legal person shares	75,000	75,000	75,000	75,000
Unlisted Foreign Shares of RMB1 each	-	-	25,000	25,000
H shares of RMB1 each	1,796,000	1,796,000	1,771,000	1,771,000
As at 30 June 2023 (unaudited) and 31 December 2022 (audited)	4,610,000	4,610,000	4,610,000	4,610,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2023

24. 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 2023, a final dividend of RMB0.178 per share in respect of the year ended 31 December 2022 (six months ended 30 June 2022: a final dividend of RMB0.154 per share in respect of the year ended 31 December 2021) was declared and paid to the owners of the Company. The dividend declared and paid during the six months ended 30 June 2023 amounted to RMB820,580,000 (six months ended 30 June 2022: RMB711,138,000).

The board of directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: RMBNil).

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

As at 30 June 2023, bank borrowings of RMB1,690,125,000 (31 December 2022: RMB883,713,000) were unsecured with effective interest rates of 2.55%-3.35% per annum (31 December 2022: 3.15%-3.35%), payable within 2024 and 2031 (31 December 2022: payable within 2023 and 2027). The amounts due were based on the scheduled repayment dates set out in the loan agreements.

As at 30 June 2023, other borrowings of RMB310,258,000 (31 December 2022: RMB1,171,198,000) were unsecured and due to the CNOOC Finance with effective interest rates of 2.80%-3.75% per annum (31 December 2022: 2.80%-3.75%), payable within 2023 to 2029 (31 December 2022: payable within 2023 to 2029). The amounts due were based on the scheduled repayment dates set out in the loan agreements.

26. DEFERRED REVENUE

Deferred revenue mainly includes unconditional government grants. The deferred revenue generated from government grants is recognised in the condensed consolidated statement of profit or loss and other comprehensive income 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 2023

27. 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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within one year	1,125,630	1,283,080
Over one year but within two years	49,325	61,585
Over two years but within three years	2,442	415
Over three years	1,509	1,403
	1,178,906	1,346,483

As at 30 June 2023, the amounts due to the ultimate holding company, CNOOC group companies, associate, 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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Ultimate holding company	178	1,285
CNOOC group companies	488,033	522,942
Associate	14	1
Joint venture	3,626	325
Other Related Parties	1,789	5,982
	493,640	530,535

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2023

28. OTHER PAYABLES AND ACCRUALS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Accrued payroll	343,344	169,365
Other payables	186,092	170,810
Payables to government	17,938	18,528
Other tax payables	44,930	93,422
Port construction fee payable	158,773	158,773
Payables in relation to the construction and purchase of property, plant and equipment	6,844	49,919
	757,921	660,817
Transfer to a disposal group classified as held for sale	-	(32,751)
	757,921	628,066

As at 30 June 2023, the amounts due to CNOOC group companies and associate included in the above, which are unsecured, non-interest bearing and have no fixed repayment terms, can be analysed as follows:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
CNOOC group companies	4,797	34,503
Associate	60,672	-
	65,469	34,503

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2023

29. DEEMED DISPOSAL OF A SUBSIDIARY

The Group entered into an equity transaction agreement dated on 18 December 2022 with 中國石油天然氣股份有限公司 (transliterated as PetroChina Company Limited) (the“**Purchaser**”) to partially dispose of the Group’s 67% of equity interest in a subsidiary, CNOOC Tianye, which is under urea and methanol segments, at a net consideration of RMB154,082,000. The equity transaction was completed on 27 April 2023. Upon the completion of the equity transaction, the Group’s equity interests in CNOOC Tianye decreased from 92.27% to 25.27% and the directors of the Group determined that the Group had lost its practical ability to unilaterally direct the relevant activities of CNOOC Tianye. Accordingly, with effect from the date of completion of the equity transaction, the financial statements of CNOOC Tianye ceased to be consolidated in the condensed consolidated financial statements of the Group and the remaining equity interests of 25.27% in CNOOC Tianye held by the Group are recognised as interests in associates. Gain on deemed disposal of a subsidiary of RMB852,397,000 was recognised for the period ended 30 June 2023.

The net liabilities of CNOOC Tianye at the date of disposal were as follows:

	30 June 2023 RMB’000 (Unaudited)
Net liabilities disposed of:	
Property, plant and equipment	275,163
Prepaid lease payments	158,230
Inventories	27,470
Prepayments, deposits and other receivables	28,025
Cash and cash equivalents	13,086
Interest-bearing other borrowings	(761,105)
Trade payables	(251,093)
Contract liabilities	(33,082)
Other payables and accruals	(59,515)
Lease liabilities	(20,355)
Income tax payable	(4,429)
Deferred revenue	(5,429)
Other long-term liabilities	(2,613)
Deferred tax liabilities	(29,308)
	(664,955)
Non-controlling interests	46,952
Special reserve reclassified to profit or loss upon deemed disposal	(2,151)
Deemed interest in an associate	(78,161)
Net consideration received	(154,082)
Gain on deemed disposal of a subsidiary	(852,397)
Satisfied by:	
Cash consideration received during the period	154,082
Net cash inflow arising on deemed disposal	140,996

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2023

30. 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 2023 and 31 December 2022, the Group had the following capital commitments:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Contracted, but not provided for acquisition of:		
- land and buildings	104,702	-
- plant and machinery	42,484	66,741

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2023

31. RELATED PARTY TRANSACTIONS

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

	Six months ended	
	30 June 2023	30 June 2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(A) Included in revenue and other income		
(a) CNOOC group companies		
Sale of goods	554,627	362,351
Provision of packaging and assembling services	50,066	51,766
Provision of transportation services	2	85
Provision of logistics services	901	4,043
Provision of labour services	39,309	-
Provision of lease of property and land	3,492	3,404
	648,397	421,649
(b) Other Related Parties		
Sale of goods	129,982	131,215
(B) Included in cost of sales and other expenses		
(a) CNOOC group companies		
Purchase of raw materials	2,073,486	1,712,803
Purchase of finished goods	291,573	-
Labour services	90,318	50,567
Lease of offices	14,278	12,974
Logistics services	2,851	1,540
Network services	1,323	123
Transportation services	152	152
	2,473,981	1,778,159
(C) Included in finance income/costs		
(a) CNOOC Finance		
Finance income	1,686	2,133
Fees and charges	1,924	1,948
Interest on other borrowings	1,992	3,148

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2023

31. RELATED PARTY TRANSACTIONS - Continued

(2) Balances with related parties

Details of the following balances are set out in loan receivable (Note 16), trade receivables (Note 18), contract assets, prepayments, deposits and other receivables (Note 20), interest-bearing bank and other borrowings (Note 25), trade payables (Note 27), contract liabilities and other payables and accruals (Note 28) 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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Ultimate holding company	949	50	4,895	6,002
CNOOC group companies	127,114	55,824	528,662	650,886
Associates	816,872	1,385	61,361	6,629
Joint venture	-	344	3,626	325
CNOOC Finance	-	-	310,258	1,171,198
Other Related Parties	-	1,200	27,976	5,982
			30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Deposits placed by the Group with CNOOC Finance			399,492	396,374

(3) Compensation of key management personnel of the Group

	Six months ended	
	30 June 2023 RMB'000 (Unaudited)	30 June 2022 RMB'000 (Unaudited)
Short-term employee benefits	2,227	5,382
Post-employment benefits	70	118
	2,297	5,500

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2023

31. 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 2023 and 31 December 2022 are summarised below:

	30 June 2023 RMB’000 (Unaudited)	31 December 2022 RMB’000 (Audited)
Cash and cash equivalents	1,046,887	528,771
Pledged bank deposits	818	4,203
Time deposits	9,900,000	8,400,000
	10,947,705	8,932,974
Interest-bearing bank and other borrowings	2,000,383	2,054,911

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the six months ended 30 June 2023

32. 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 loan receivable and 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 2023

32. FINANCIAL INSTRUMENTS - Continued

(b) Financial instruments measured at fair value - Continued

	30 June 2023		
	(Unaudited)		
	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000
Financial assets at FVTPL			
-Wealth management products	1,156,150	-	1,156,150
Financial assets at FVOCI			
-Unlisted equity investment	-	600	600
-Bills receivable	-	32,574	32,574
	31 December 2022		
	(Audited)		
	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000
Financial assets at FVTPL			
-Wealth management products	3,617,572	-	3,617,572
Financial assets at FVOCI			
-Unlisted equity investment	-	600	600
-Bills receivable	-	136,817	136,817

During the six months ended 30 June 2023 and 30 June 2022, 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.

33. EVENTS AFTER THE REPORTING PERIOD

There is no material event after the reporting period.

34. APPROVAL OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorised for issue by the board of directors on 19 August 2023.

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	Kuang Xiaobing Ng Sau Mei
Authorized representatives	Hou Xiaofeng Kuang Xiaobing
Principal banker	Industrial and Commercial Bank of China, Hainan Branch
Auditor	BDO Limited 25th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong
Hong Kong law legal adviser	Freshfields Bruckhaus Deringer 55th Floor, One Island East, Taikoo Place, Quarry Bay, Hong Kong
The PRC law legal adviser	Jun He Law Offices China Resources Building, 20th Floor, 8 Jianguomenbei Avenue
H Share registrar and transfer office	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East, Wanchai, Hong Kong
Investor Relations/Public Relations Hong Kong	Tel: (852) 22132533 Fax: (852) 25259322
Beijing	Tel: (86) 010 84527343 Fax: (86) 010 84527254
Website	www.chinabluechem.com.cn
Stock Code	Hong Kong Stock Exchange: 3983



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