中海石油化学股份有限公司
China BlueChemical Ltd.*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock code: 03983)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS

1. Revenue amounted to RMB5,498 million
2. Gross profit amounted to RMB1,336 million
3. Profit attributable to owners of the Company amounted to RMB752 million
4. Basic earnings per share was RMB0.16

(I) UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

		Six months ended	
		30 June 2018 (Unaudited)	30 June 2017 (Unaudited)
	Notes	***RMB'000***	*RMB'000*
Revenue	4	**5,498,224**	5,137,095
Cost of sales		**(4,162,234)**	(4,293,363)
Gross profit		**1,335,990**	843,732
Other income	4	**43,139**	23,995
Other gains and losses	5	**222,553**	109,903
Selling and distribution costs		**(205,643)**	(176,621)
Administrative expenses		**(190,647)**	(208,379)
Other expenses		**(16,072)**	(5,065)
Finance income		**5,962**	4,257
Finance costs		**(49,994)**	(61,099)
Net exchange losses		**(1,151)**	(15,041)
Share of losses of joint ventures		**(35)**	(33,471)
Share of profits/(losses) of associates		**433**	(763)
Profit before income tax	6	**1,144,535**	481,448
Income tax expenses	7	**(293,734)**	(153,545)
Profit for the period		**850,801**	327,903
Profit for the period attributable to:			
Owners of the Company		**752,353**	290,159
Non-controlling interests		**98,448**	37,744
		850,801	327,903
Earnings per share attributable to ordinary owners of the Company			
— Basic for the period *(RMB)*	8	**0.16**	0.06

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Six months ended 30 June 2018 (Unaudited) *RMB'000*	30 June 2017 (Unaudited) *RMB'000*
Profit for the period	**850,801**	327,903
Other comprehensive income that may be reclassified subsequently to profit or loss:		
Fair value gains on unlisted investments during the period	—	110,428
Less: Reclassification adjustment relating to disposal upon maturity	—	(110,428)
Exchange differences arising on translation	**(2,423)**	501
Total comprehensive income for the period	**848,378**	328,404
Total comprehensive income for the period attributable to:		
Owners of the Company	**749,930**	290,660
Non-controlling interests	**98,448**	37,744
	848,378	328,404

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	**30 June 2018 (Unaudited) *RMB'000***	31 December 2017 (Audited) *RMB'000*
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		**7,357,283**	7,661,025
Mining rights		**136,755**	137,743
Prepaid lease payments	9	**581,273**	589,032
Investment properties		**119,226**	122,273
Intangible assets		**27,320**	30,331
Investment in joint ventures	10	**226,858**	229,476
Investment in associates	11	**218,903**	218,470
Available-for-sale investment		**—**	600
Financial asset at fair value through other comprehensive income		**600**	—
Deferred tax assets		**844,580**	840,105
Other long-term prepayment		**—**	6,900
		9,512,798	9,835,955
CURRENT ASSETS			
Inventories		**1,136,711**	1,210,432
Trade receivables	12	**217,709**	267,428
Bills receivable	12	**46,102**	31,138
Prepayments, deposits and other receivables		**243,071**	321,710
Tax recoverable		**298,109**	286,001
Pledged bank deposits		**44,136**	6,942
Time deposits with original maturity over three months		**264,664**	287,505
Cash and cash equivalents		**7,981,681**	6,590,294
		10,232,183	9,001,450
Assets classified as held for sale		**—**	411,587
		10,232,183	9,413,037
TOTAL ASSETS		**19,744,981**	19,248,992

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION — continued
At 30 June 2018

	Notes	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Issued capital		**4,610,000**	4,610,000
Reserves		**8,972,700**	8,222,770
Proposed dividends	13	—	322,700
Equity attributable to owners of the Company		**13,582,700**	13,155,470
Non-controlling interests		**879,456**	1,092,459
TOTAL EQUITY		**14,462,156**	14,247,929
NON-CURRENT LIABILITIES			
Benefits liability		**58,187**	65,852
Interest-bearing bank borrowings		**785,000**	785,000
Deferred tax liabilities		**45,112**	47,079
Deferred revenue		**175,531**	175,210
Obligation under finance leases		—	1,336,118
Other long-term liabilities		**113,935**	114,057
		1,177,765	2,523,316
CURRENT LIABILITIES			
Interest-bearing bank borrowings		**575,000**	25,000
Trade payables	14	**642,538**	876,622
Contract liabilities		**364,909**	—
Bills payable	14	**42,000**	12,900
Other payables and accruals		**941,458**	1,369,394
Obligation under finance leases		**1,365,750**	60,000
Income tax payable		**173,405**	132,609
		4,105,060	2,476,525
Liabilities classified as held for sale		—	1,222
		4,105,060	2,477,747

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION — continued

At 30 June 2018

	Notes	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
TOTAL LIABILITIES		**5,282,825**	5,001,063
TOTAL EQUITY AND LIABILITIES		**19,744,981**	19,248,992
NET CURRENT ASSETS		**6,127,123**	6,935,290
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,639,921**	16,771,245
NET ASSETS		**14,462,156**	14,247,929

(II) NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

China BlueChemical Ltd. (the "Company") was established in the People's Republic of China (the "PRC") and the registered office of the Company is located at No. 1 Zhu Jiang South Street, Dongfang City, Hainan Province, PRC. The immediate holding company and ultimate holding company of the Company is China National Offshore Oil Corporation ("CNOOC"), a state-owned enterprise established in the PRC.

The Company's ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKSE").

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

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board ("IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

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

- IFRS 9, Financial Instruments
- IFRS 15, Revenue from Contracts with Customers
- IFRIC-Interpretation 22, Foreign Currency Transactions and Advance Considerations
- Amendments to IFRS 2, Classification and Measurement of Share-based Payment Transactions
- Amendments to IFRS 4, Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Amendments to IAS 28 included in Annual Improvements to IFRSs 2014-2016 Cycle, Investments in Associates and Joint Ventures

- Amendments to IAS 40, Transfers of Investment Property
- Amendments to IFRS 1 included in Annual Improvements to IFRSs 2014-2016 Cycle, First-time Adoption of Hong Kong Financial Reporting Standards

The impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers have been summarised in below. The other new or amended IFRSs that are effective from 1 January 2018 did not have any material impact on the group's accounting policies.

The Group applied the cumulative effect transition method to adopt IFRS 9 and IFRS 15 without restating comparative information. The reclassifications and the adjustments arising from the new accounting policies are therefore not reflected in the restated consolidated statement of financial position as at 31 December 2017, but are recognised in the opening consolidated statement of financial position on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

	31 December 2017	**IFRS 9**	**IFRS15**	**1 January 2018 Restated**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Condensed Consolidated Statement of Financial Position (extract)				
Non-current assets				
Financial asset at fair value through other comprehensive income	—	600	—	600
Available-for-sale investment	600	(600)	—	—
Current liabilities				
Contract liabilities	—	—	585,038	585,038
Other payables and accruals	1,369,394	—	(585,038)	784,356
Total liabilities	**5,001,063**	**—**	**—**	**5,001,063**

(a) IFRS 9 Financial Instruments — Impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments and impairment of financial assets.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in these financial statements.

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has classified its financial assets into the appropriate IFRS 9 categories. The majority of the Group's financial assets include:

- equity investment in unlisted company previously classified as available-for-sale investment was reclassified to financial asset at fair value through other comprehensive income ("FVTOCI"); and

- bills receivable as disclosed in Note 17 are held within a business model whose objective is achieved by both collecting cash flows and endorsing the bills receivable to suppliers or discounting to banks, and the contractual terms give rise to cash flows on specific dates that are solely payments of principal and interest on the principal outstanding. Accordingly, bills receivable will be subsequently measured at FVTOCI upon the application of IFRS 9, with the fair value gains or losses accumulated in reserve subsequently reclassified to profit or loss upon derecognition. However, the directors of the Company consider the impact on the amounts recognised in other comprehensive income is immaterial as the fair value of bills receivable is close to their carrying amounts given all bills receivable are mature within one year; and

- The Group's wealth management in licensed bank carried at fair value are held within the business model whose objective is not solely receiving payments of principal and interest on the principal outstanding or selling the financial instruments in open market. Accordingly, the Group has classified these instruments at fair value with subsequent fair value gains or losses to be recognised in profit or loss; and

- All other financial assets and financial liabilities continue to be measured on the same basis as are measured under IAS 39.

The Group was required to revise its impairment methodology under IFRS 9 for each classes of financial assets. The new impairment model requires the recognition of impairment provisions based on expected credit losses model rather than only incurred credit losses model as is the case under IAS 39.

While trade and bills receivables, deposits and other receivables and cash and cash equivalents are subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

(b) IFRS 9 Financial Instruments — Accounting policies applied from 1 January 2018

(i) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement category:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and

- those to be measured at amortised asset.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gain and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrecoverable election at the time of initial recognition to account for the equity investments at fair value through other comprehensive income ("FVTOCI"). The Group reclassified debt instruments when and only when its business model for managing those assets changes.

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

(iii) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its deposits and other receivables carried at amortised cost and adopt three-stages approach to assess the impairment. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. But the identifiable impairment loss was immaterial.

(c) IFRS 15 Revenue from Contracts with Customers — Impact of adoption

The Group has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in IFRS 15, the Group has adopted the new rules modified retrospectively and therefore has not restated comparatives for the 2017 financial year.

The Group has changed the presentation of certain amounts in the consolidated statement of financial position to reflect the terminology of IFRS 15. Contract liabilities in relation to the advance consideration received from customers for contracts were previously included in other payables and accruals.

In summary, the following adjustments were made to the amounts recognised in the opening consolidated statement of financial position on 1 January 2018:

	IAS 18 carrying amount 31 December 2017 *RMB'000*	**Reclassification** *RMB'000*	**IFRS 15 carrying amount 1 January 2018** *RMB'000*
Current liabilities			
Contract liabilities	—	585,038	585,038
Other payables and accruals	1,369,394	(585,038)	784,356

The amount by each financial statements line items affected in the current period and period to date by the application of IFRS 15 as compared to IAS 18 that were previously in effect before the adoption of IFRS 15 is as follows:

	As at 30 June 2018		
	Amounts without the adoption of IFRS 15 *RMB'000*	**Effects of adoption of IFRS 15** *RMB'000*	**Amount as reported** *RMB'000*
Condensed consolidated statement of financial position (extract)			
Current liabilities			
Contract liabilities	—	364,909	364,909
Other payables and accruals	1,306,367	(364,909)	941,458

(d) IFRS 15 Revenue from Contracts with Customers — Accounting policies

Under IFRS 15, revenue is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the asset may transfer over time or at point in time. Control of the asset is transferred over time if the Group's performance:

- Provides all the benefits received and consumed simultaneously by the customer; or
- Creates and enhances an asset that the customer controls as the Group performs; or
- Do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance competed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The Group's contracts with customers for the sales of urea, MAP, DAP and compound fertiliser, methanol, chemicals, and Bulk Blending (the "BB") fertiliser and woven plastic bags (collectively referred to as the "Goods") and for the provision of transportation services generally include one performance obligation. The Group has concluded that revenue from sales of Goods should be recognised at the point in time when control of the assets is transferred to the customers generally on delivery of the goods. While revenue from provision of transportation services should be recognised at the point in time when the transportation services are completed.

Therefore, the adoption of IFRS 15 did not have an impact on timing of revenue recognition and amount to be recognised.

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 BB fertiliser and woven plastic bags.

Segment performance is evaluated based on segment result and is measured consistently with profit before tax in the condensed consolidated financial statements. However, segment result for each operating segment does not include interest and unallocated income, corporate and other unallocated expenses, finance costs, net exchange gains/(losses), change in fair value of derivative financial instruments, share of losses of joint ventures and associates and income tax expenses, which are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are determined on an arm's length basis in a manner similar to transactions with third parties. Inter-segment sales are eliminated on consolidation.

	Urea	Phosphorus and compound fertiliser	Methanol	Others	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2018 (Unaudited)						
Segment revenue:						
Sales to external customers	**2,081,792**	**1,062,048**	**1,812,858**	**541,526**	**—**	**5,498,224**
Inter-segment sales	**—**	**—**	**—**	**76,655**	**(76,655)**	**—**
Total	**2,081,792**	**1,062,048**	**1,812,858**	**618,181**	**(76,655)**	**5,498,224**
Segment results:						
Segment profit before tax	**271,008**	**7,784**	**576,996**	**83,018**	**—**	**938,806**
Interest and unallocated income						**222,553**
Corporate and other unallocated expenses						**(16,071)**
Net exchange losses						**(1,151)**
Share of losses of joint ventures						**(35)**
Share of profits of associates						**433**
Profit before income tax						**1,144,535**

	Urea	Phosphorus and compound fertiliser	Methanol	Others	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2017 (Unaudited)						
Segment revenue:						
Sales to external customers	1,790,715	1,135,965	1,675,174	535,241	—	5,137,095
Inter-segment sales	958	—	—	80,595	(81,553)	—
Total	1,791,673	1,135,965	1,675,174	615,836	(81,553)	5,137,095
Segment results:						
Segment (loss)/profit before tax	63,771	(36,221)	442,458	49,287	—	519,295
Interest and unallocated income						120,866
Corporate and other unallocated expenses						(109,438)
Net exchange losses						(15,041)
Share of losses of joint ventures						(33,471)
Share of losses of associates						(763)
Profit before income tax						481,448

4. REVENUE AND OTHER INCOME

An analysis of revenue and other income is as follows:

	Six months ended	
	30 June	30 June
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**5,305,946**	4,959,398
Rendering of services	**192,278**	177,697
	5,498,224	5,137,095
Other income		
Income from sale of other materials	**16,198**	13,385
Income from rendering of other services	**14,216**	837
Gross rental income	**231**	2,737
Government grants	**3,660**	6,815
Others	**8,834**	221
	43,139	23,995

5. OTHER GAINS AND LOSSES

	Six months ended	
	30 June	30 June
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Gain on maturity of unlisted investment	**162,110**	110,428
Loss on disposal of items of property, plant and equipment	**(2,617)**	(525)
Gain on disposal of subsidiaries	**63,060**	—
	222,553	109,903

6. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June 2018 (Unaudited) *RMB'000*	30 June 2017 (Unaudited) *RMB'000*
Cost of inventories sold	**4,040,140**	4,137,627
Cost of services provided	**121,928**	152,788
Depreciation of property, plant and equipment	**363,208**	491,714
Amortisation of mining rights	**988**	1,160
Amortisation of prepaid lease payments	**7,654**	7,921
Amortisation of intangible assets	**3,011**	2,995
Amortisation of investment properties	**3,047**	3,112
Write-down of inventories to net realisable value, included in cost of sales	**166**	2,948

7. INCOME TAX

	Six months ended 30 June 2018 (Unaudited) *RMB'000*	30 June 2017 (Unaudited) *RMB'000*
Current tax		
PRC Enterprise Income Tax	**285,555**	191,804
Under-provision in prior year	**14,621**	1,408
	300,176	193,212
Deferred tax	**(6,442)**	(39,667)
	293,734	153,545

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

	Six months ended	
	30 June 2018	30 June 2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Profit before tax	**1,144,535**	481,448
Tax at the statutory tax rate of 25%	**286,134**	120,362
Income tax on concessionary rate	**(46)**	(79)
Under provision in respect of prior years	**14,621**	1,408
Tax effect of share of (profits)/losses of joint ventures and associates	**(99)**	8,558
Tax effect of expenses not deductible for tax purposes	**1,709**	—
Tax effect of revenue not taxable for tax purposes	**(15,719)**	—
Tax effect of tax losses not recognised	**—**	22,031
Tax effect of deductible temporary differences not recognised	**10,122**	2,481
Utilization of deductible temporary differences not recognised	**(2,988)**	(214)
Others	**—**	(1,002)
Income tax	**293,734**	153,545
The Group's effective income tax rate	**26%**	32%

8. EARNINGS PER SHARE

	Six months ended	
	30 June 2018	30 June 2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Profit for the period attributable to owners of the Company	**752,353**	290,159

	Six months ended	
	30 June 2018	30 June 2017
	'000	*'000*
Number of ordinary shares	**4,610,000**	4,610,000

The Group had no potential dilutive ordinary shares in issue during the six months ended 30 June 2018 and the six months ended 30 June 2017.

9. PREPAID LEASE PAYMENTS

The Group did not acquire land use right during the six months ended 30 June 2018 and the six months ended 30 June 2017. There is no disposal of land use right during the six months ended 30 June 2018 and the six months ended 30 June 2017.

As of the date of issuance of the interim financial statements, the land use right certificate held by CNOOC Hualu Shanxi Coal Chemical Co., Ltd. ("CNOOC Hualu") has not been invalidated after CNOOC Hualu was served the relevant seizure notification by the local land bureau and provided full impairment against the carrying amount of the land use right in 2014. In addition, the directors of the Company are of the view that there is no evidence the payables for acquisition of the said land use right amounting to RMB26,339,000 (31 December 2017: RMB26,339,000), presented under "Other long term liabilities" and "Other payables and accruals", are no longer payable.

10. INVESTMENT IN JOINT VENTURES

	30 June 2018 (Unaudited) ***RMB'000***	31 December 2017 (Audited) *RMB'000*
Cost of investment in joint ventures	**265,299**	265,299
Share of post-acquisition profits and other comprehensive income,net of dividends received	**(38,441)**	(35,823)
	226,858	229,476

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		Percentage of equity interest attributable to the Company	Principal activities
		'000		*%*	
Guizhou Jinlin Chemical Co., Ltd. (貴州錦麟化工有限責任公司)	PRC 12 April 2007	RMB481,398	Direct Indirect	41.26 —	Phosphorus mining and processing manufacture and sales of phosphorus ore and chemical products
CBC (Canada) Holding Corp ("CBC (Canada)") (中海化學(加拿大)控股公司)	Canada 28 May 2013	CAD24,000	Direct Indirect	60.00 —	Investment holding
Hainan Basuo Port Labour Service Limited ("Basuo Labour Service") (海南八所港勞動服務有限公司)	PRC 14 March 2007	RMB5,000	Direct Indirect	— 36.56	Provision of overseas shipping services

11. INVESTMENT IN ASSOCIATES

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
	RMB'000	*RMB'000*
Cost of investment in associates	**670,031**	670,031
Share of post-acquisition profits and other comprehensive income, net of dividends received	**(451,128)**	(451,561)
	218,903	218,470

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**		**Percentage of equity interest attributable to the Company**		**Principal activities**
				30 June 2018	31 December 2017	
		'000				
Shanxi Hualu Yangpoquan Coal Mining Co., Ltd. ("Yangpoquan Coal") *(Note)* (山西華鹿陽坡泉煤礦有限公司)	PRC 3 August 2001	RMB52,000	Direct Indirect	**49.00** **—**	49.00 —	Mining and sale of coal
China Basuo Overseas Shipping Agency Co., Ltd. (中國八所外輪代理有限公司)	PRC 24 May 2000	RMB1,800	Direct Indirect	**—** **36.56**	— 36.56	Provision of overseas shipping services
Inner Mongolia Hong Feng Packaging Co., Ltd ("Inner Mongolia Hong Feng") (內蒙古鴻豐包裝有限責任公司)	PRC 9 December 1999	RMB3,297	Direct Indirect	**—** **45.21**	— 45.21	Manufacture and sale of woven plastic bags
United Agricultural Means of Production (Beijing) Co., Ltd. (聯合惠農農資(北京)有限公司)	PRC 7 June 2016	RMB100,000	Direct Indirect	**30.00** **—**	30.00 —	Merchandising

Note: The mining rights and mining assets, including inventory, fixed assets, mining rights, use rights of highway Xunda line and land use rights, of Yangpoquan Coal have been published on auction on 25 July 2018 and 26 July 2018 through the network platform of Alibaba Judicial Auction (the "Auction"). The Auction has been closed with an auction result of RMB4,002,481,294. After recognition of impairment against the carrying amount of investment in Yangpoquan Coal in 2014, the management of the Group are of the view that no further impairment indication presents and no further impairment is recognised for the current period.

12. TRADE RECEIVABLES AND BILLS RECEIVABLE

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

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

	30 June 2018 (Unaudited) ***RMB'000***	31 December 2017 (Audited) *RMB'000*
Trade receivables	**217,709**	267,428
Bills receivable	**46,102**	31,138
	263,811	298,566

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

	30 June 2018 (Unaudited) ***RMB'000***	31 December 2017 (Audited) *RMB'000*
Within six months	**259,510**	297,451
Over six months but within one year	**3,277**	713
Over one year but within two years	**713**	—
Over two years	**311**	402
	263,811	298,566

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

	30 June 2018 (Unaudited) ***RMB'000***	31 December 2017 (Audited) *RMB'000*
Neither past due nor impaired	**263,811**	297,853
Less than one month past due	**—**	600
One to three months past due	**—**	113
	263,811	298,566

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

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

As at 30 June 2018, the amounts due from CNOOC, its subsidiaries, and associates, (other than the ultimate holding company collectively referred to as the "CNOOC group companies") included in the above trade receivable balances are in aggregate RMB70,560,000 (31 December 2017: RMB236,604,000). The amounts due are unsecured, non-interest-bearing and repayable on similar credit terms to those offered to the major customers of the Group.

As at 30 June 2018, the Group has transferred bills receivable through endorsement to its suppliers to settle its payables amounted to RMB255,259,000 (31 December 2017: RMB266,366,000). The directors of the Company considered the issuing banks of the bills are of good credit quality and the risk of non-settlement by the issuing banks on maturity is insignificant. Hence, the Group has derecognised these bills receivable and payables to suppliers in its entirety, given the limited exposure in respect of the settlement obligation of these bills receivable.

Most of the bills receivables endorsed to suppliers of the Group have a maturity date of less than six months from the end of the reporting period.

13. PROPOSED DIVIDENDS

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

During the current interim period, a final and special dividend of RMB0.07 per share in respect of the year ended 31 December 2017 (six months ended 30 June 2017: a final dividend of RMB0.05 per share in total in respect of the year ended 31 December 2016) was declared and paid to the owners of the Company. The amount of dividend declared and paid in the interim period of 2018 amounted to RMB322,700,000 (six months ended 30 June 2017: RMB230,500,000).

The board of directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

14. TRADE PAYABLES AND BILLS PAYABLE

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

	30 June 2018 (Unaudited) *RMB'000*	31 December 2017 (Audited) *RMB'000*
Trade payables	**642,538**	876,622
Bills payable	**42,000**	12,900
	684,538	889,522

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

	30 June 2018 (Unaudited) *RMB'000*	31 December 2017 (Audited) *RMB'000*
Within six months	**606,343**	837,939
Over six months but within one year	**38,270**	12,942
Over one year but within two years	**19,905**	22,485
Over two years but within three years	**7,186**	3,613
Over three years	**12,834**	12,543
	684,538	889,522

As at 30 June 2018, the amounts due to CNOOC group companies included in the above trade payables and bills payable balances amounted to RMB174,762,000 (31 December 2017: RMB283,433,000).

(III) MANAGEMENT DISCUSSION AND ANALYSIS

1. Sector Review

Chemical Fertiliser Industry

In 2018, the PRC government initiated to improve the quality of agricultural development and continuously highlighted the importance of ensuring food safety in China. Constant efforts were made to implement the policy of minimum purchase price for grain rice and wheat and to stabilise the planted areas of grain crops such as grain rice and wheat. The government also proactively developed high quality rice as well as strong-gluten and weak-gluten wheat, and promoted the development of potato as a staple.

China's export tariff on NPK compound fertiliser has been revised from 20% on an ad valorem basis to a weight-based levy of RMB100 per tonne since 1 January 2018. The PRC government has lowered the value-added tax rate for, among others, chemical fertilisers from 11% to 10% since 1 May 2018.

(I) Urea

In the first half of 2018, affected by the limits on natural gas supply and the rising environmental protection standards, some urea enterprises reduced urea production significantly. For the six months ended 30 June 2018, domestic production volume of urea totalled approximately 24.78 million tonnes, representing a decrease of approximately 3 million tonnes from around 27.78 million tonnes during the same period of 2017. In the first half of 2018, urea prices remained robust in China but the prices in global markets hovered at a relatively low level. As a result, the export volume of urea from China totalled around 720,000 tonnes, representing a significant decrease of approximately 74% compared to the export volume of around 2.75 million tonnes in the first half of 2017.

During the first half of 2018, the average ex-factory price of urea in China stood at RMB1,948 per tonne, representing an increase of 21% compared to the same period of 2017. In January, the market sustained the momentum shown at the end of 2017 and lingered at a relatively high level, but retreated slightly in February due to the effect of Spring Festival. In March and April, the market was weak and fell down until hitting the bottom at the end of April, and then kept gaining strength in May and June due to support from the domestic industrial and agricultural demand, and lost some steam at the end of June.

(II) Phosphate fertilisers

According to the statistics of National Bureau of Statistics of China, in the first half of 2018, domestic production volume of ammonium phosphate was approximately 16.49 million tonnes (in kind), representing a decrease of 22% compared to the first half of 2017. Due to the robust demand in the South Asian market coupled with the continued implementation of the zero-tariff policy on phosphate fertiliser export in the PRC, the export volume of domestic DAP in the first half of the year increased by 2% to 1.55 million tonnes compared to the same period last year.

In the first quarter of the year, driven by domestic market demand in spring and underpinned by the high raw material prices, DAP prices maintained the uptrend and witnessed a domestic price hike from RMB2,400 per tonne to RMB2,700 per tonne. The uptrend lasted till the end of March when the domestic market headed into the off-season for fertilisers resulting in a gentle decline in prices of ammonium phosphate. Since the beginning of the second quarter, major importing countries such as India commenced centralised procurement. The rising prices of phosphoric acid in India and the low inventory level in China led to strong procurement demand. This buttressed the export prices of ammonium phosphate and in turn led to steady and slight price recovering. The prices of DAP currently stand at around RMB2,600 per tonne.

Methanol

In the first half of 2018, domestic production volume of methanol was approximately 23.16 million tonnes, representing an increase of approximately 2.6% compared to the same period last year. Imports volume decreased by 4.79% compared to the same period last year to approximately 3.7091 million tonnes.

In the first quarter of 2018, domestic methanol prices retreated from high levels. Prices in the Southern China market fell from RMB3,860 per tonne at the beginning of the year to RMB2,750 per tonne in early March. Subsequently as the supply fell short of expectations, market prices steadily picked up. In the second quarter, domestic prices rose first and dropped again. Prices in the Southern China market hit a high of RMB3,620 per tonne in mid-May and subsequently trembled down due to the overhaul of some olefin plants and the expectation of increasing domestic and import supply. At the end of June, market prices of methanol in Southern China were approximated RMB3,020 per tonne.

2. Business Review

During the reporting period, the Company achieved safe and stable operation of production plants through refined management of the production process. Both Hainan Phase I Methanol Plant and Hainan Phase II Methanol Plant broke their respective records by realising long-cycle operation that lasted over 290 days. The Company recorded a urea production volume of approximately 1.148 million tonnes for the first half of the year, among which CNOOC Huahe setting a new record in half-yearly urea output. Output of phosphate and compound fertilisers totalled approximately 452,000 tonnes, among which the output of compound fertilisers hit a new historical high of approximately 117,000 tonnes, while the output of methanol amounted to approximately 718,000 tonnes.

Facing competition in the market, the Company remained steadfast in the reform of its marketing system. Leveraging its branding and geographical advantages, the Company endeavoured to expand its presence in the compound fertiliser market and fully grasped market trends to perform accurate pricing in tandem with the latest market changes. In the first half of the year, the Company sold approximately 1.174 million tonnes of urea, approximately 704,000 tonnes of methanol, and approximately 423,000 tonnes of phosphate fertilisers and compound fertilisers, among which the sales volume of compound fertilisers stood at approximately 98,000 tonnes, exceeding the yearly sales volume of 2017 and hitting a new historical high for the same period. The export volume of urea and DAP were approximately 18,000 tonnes and 66,000 tonnes, respectively.

Production and sales details of the Group's various plants during the reporting period are set out below:

	For the six months ended 30 June					
	2018			2017		
Chemical fertilisers	**Production** *(tonnes)*	**Sales volume** *(tonnes)*	**Utilisation rate** *(%)*	Production *(tonnes)*	Sales volume *(tonnes)*	Utilisation rate *(%)*
Urea						
Fudao Phase I	**194,654**	**180,506**	**74.9**	295,680	266,648	113.7
Fudao Phase II	**421,979**	**412,973**	**105.5**	421,436	379,982	105.4
CNOOC Tianye	**210,122**	**238,915**	**80.8**	152,378	145,413	58.6
CNOOC Huahe	**321,205**	**342,071**	**123.5**	308,635	439,066	118.7
Group total	**1,147,960**	**1,174,465**	**97.3**	1,178,129	1,231,109	99.8
Phosphate fertilisers and compound fertilisers						
DYK MAP	**25,147**	**14,838**	**33.5**	15,022	27,225	20.0
DYK DAP Phase I *(Note 1)*	**167,341**	**140,476**	**95.6**	147,944	157,840	84.5
DYK DAP Phase II	**259,608**	**267,408**	**103.8**	298,580	341,972	119.4
Group total	**452,096**	**422,722**	**90.4**	461,546	527,037	92.3
Chemical products						
Methanol						
Hainan Phase I	**289,959**	**292,031**	**96.7**	260,709	261,950	86.9
Hainan Phase II	**347,725**	**337,826**	**86.9**	384,637	367,354	96.2
CNOOC Tianye	**80,662**	**73,683**	**80.7**	119,136	122,823	119.1
Group total	**718,346**	**703,540**	**89.8**	764,482	752,127	95.6

Note 1: In the first half of 2018, the DYK DAP Phase I Plant produced 50,578 tonnes of DAP and 116,763 tonnes of compound fertilisers, totaling at 167,341 tonnes, and sold 42,487 tonnes of DAP and 97,989 tonnes of compound fertilisers, totaling at 140,476 tonnes. In the first half of 2017, the DYK DAP Phase I Plant produced 97,581 tonnes of DAP and 50,363 tonnes of compound fertilisers, totaling at 147,944 tonnes, and sold 120,650 tonnes of DAP and 37,190 tonnes of compound fertilisers, totaling at 157,840 tonnes.

BB fertilisers

In the first half of 2018, the Group produced a total of 19,906 tonnes of BB fertilisers with a sales volume of 23,091 tonnes.

3. Financial Review

Revenue and gross profit

During the reporting period, the Group's revenue was RMB5,498.2 million, representing an increase of RMB361.1 million, or 7.0%, from RMB5,137.1 million during the same period of 2017.

During the reporting period, the Group's external revenue from urea was RMB2,081.8 million, representing an increase of RMB291.1 million, or 16.3%, from RMB1,790.7 million during the same period of 2017, which was primarily attributable to (1) a decrease in the sales volume of urea by 56,644 tonnes, resulting in a decrease in revenue by RMB100.4 million; and (2) an increase in revenue by RMB391.5 million resulted from an increase in the selling price of urea by RMB318.0 per tonne.

During the reporting period, the Group's external revenue from phosphate fertilisers and compound fertilisers was RMB1,062.0 million, representing a decrease of RMB74.0 million, or 6.5%, from RMB1,136.0 million during the same period of 2017, which was primarily attributable to (1) a decrease in the sales volume of phosphate fertilisers and compound fertilisers by 104,314 tonnes, resulting in a decrease in revenue by RMB262.1 million; and (2) an increase in revenue by RMB188.1 million resulted from an increase in the selling price of phosphate fertilisers and compound fertilisers by RMB357.0 per tonne.

During the reporting period, the Group's external revenue from methanol was RMB1,812.9 million, representing an increase of RMB137.7 million, or 8.2%, from RMB1,675.2 million during the same period of 2017, which was primarily attributable to (1) a decrease in the sales volume of methanol by 48,588 tonnes, resulting in a decrease in revenue by RMB125.2 million; and (2) an increase in revenue by RMB262.9 million resulted from an increase in the selling price of methanol by RMB349.5 per tonne.

During the reporting period, the Group's external revenue from other segments (primarily comprising port operations and provision of transportation services, trading of fertilisers and chemicals, manufacture and sales of BB fertilisers and woven plastic bags) increased by RMB6.3 million, or 1.2%, to RMB541.5 million as compared to RMB535.2 million during the same period of 2017, which was primarily attributable to (1) an increase in revenue by RMB14.6 million due to the turnkey business in shipping transportation of Hainan Basuo

Port Limited; (2) a decrease in revenue by RMB5.8 million in the trading segment of the year compared to that of last year; and (3) a decrease by RMB2.5 million in revenue from other income segment (mainly comprising the sales of liquid ammonium and formaldehyde), which partially offset the above increase.

The Group's gross profit during the reporting period was RMB1,336.0 million, representing an increase of RMB492.3 million, or 58.3%, from RMB843.7 million during the same period of 2017, which was primarily attributable to (1) a significant year-on-year increase in the selling prices of our major products, namely urea, phosphate and compound fertilisers and methanol, which resulted in a significant increase in price-driven revenue; (2) the resumption of production of the CNOOC Tianye Urea Plant on 1 March 2018, which was 24 days ahead of time compared to the same period of 2017 and therefore reduced the loss arising from the suspension; and (3) the planned overhaul of Fudao Phase I Urea Plant, Hainan Phase II Methanol Plant and DYK DAP Phase II Plant in the first half of the year, resulting in an increase in overhaul cost and suspension loss, which partially offset the increase in gross profit due to the aforesaid reasons.

Other income, other gains and losses

The Group's other income as well as other gains and losses for the reporting period amounted to RMB265.7 million, representing an increase by RMB131.8 million, or 98.4%, from RMB133.9 million in the same period of 2017. The increase was primarily attributable to (1) the bank investment gains of RMB162.1 million; (2) a gain of RMB63.1 million from the disposal of the equity interests of China BlueChemical Yichang Mining Ltd.; and (3) profits of RMB40.5 million from other segments.

Selling and distribution costs

The Group's selling and distribution costs for the reporting period amounted to RMB205.6 million, representing an increase of RMB29.0 million, or 16.4%, from RMB176.6 million in the same period of 2017. The increase was primarily attributable to the adoption of one-invoice settlement by Huahe Urea during the reporting period resulting in the increase of the freight expense of RMB18.6 million, and the increase of sales of Tianye Urea resulting in the increase of freight expense of RMB0.9 million.

Administrative expenses

The Group's administrative expenses for the reporting period amounted to RMB190.6 million, representing a decrease of RMB17.7 million, or 8.5%, from RMB208.3 million in the same period of 2017. The decrease was primarily attributable to the facts that (1) no provision for dismissal costs was made by CNOOC Tianye in the reporting period, resulting in a decrease of dismissal costs of RMB11.4 million; and (2) provision for litigation costs of RMB5.0 million was made by the headquarter of the Company in the same period of last year, and no such provision was made in the reporting period.

Other expenses

The Group's other expenses for the reporting period amounted to RMB16.1 million, representing an increase of RMB11.0 million, or 215.7%, from RMB5.1 million in the same period of 2017. The increase was primarily due to (1) the provision of utilities and property management costs of RMB7.5 million by Hainan Basuo Port Limited; and (2) an increase in other non-operating expenses by RMB3.5 million.

Finance income and finance costs

The Group's finance income for the reporting period increased by RMB1.7 million to RMB6.0 million from RMB4.3 million in the same period of 2017.

The Group's finance costs for the reporting period amounted to RMB50.0 million, representing a decrease by RMB11.1 million from RMB61.1 million in the same period of 2017. The decrease was primarily attributable to (1) the offsetting of current finance costs of Huahe Coal Chemical with the current loan discounted fund of RMB8.0 million provided by government; and (2) a decrease in finance costs of Hubei Dayukou Chemical Co., Ltd by RMB3.4 million due to the decrease in external finance fund.

Net exchange losses

During the reporting period, the Group recorded net exchange losses of RMB1.2 million, representing a decrease of RMB13.8 million compared with net exchange losses of RMB15.0 million in the same period of 2017, which was primarily attributable to (1) exchange losses of RMB31.4 million in deposits due to the depreciation of USD, which is mainly attributable to the decline in the exchange rates of USD for the first half of 2018; and (2) exchange gains of RMB30.2 million from the Company's operation due to fluctuations in exchange rates.

Share of losses of associates and joint ventures

The Group's share of profits of associates and joint ventures for the reporting period amounted to RMB0.4 million, representing a decrease of RMB34.6 million in losses from the share of losses of associates and joint ventures of RMB34.2 million for the same period of 2017, which was primarily due to the recognition of investment loss of RMB31.1 million for the joint venture CBC (Canada) in the same period of 2017.

Income tax expense

The Group's income tax expense for the reporting period was RMB293.7 million, representing an increase of RMB140.2 million from RMB153.5 million in the same period of 2017. The increase was primarily due to (1) an increase in current income tax expenses by RMB211.5 million arising from increase in profits; and (2) a decrease in current income tax adjustment of RMB71.3 million from the previous period.

Net profit for the period

The Group's profit after tax for the reporting period was RMB850.8 million, representing an increase by RMB522.9 million, from the net profit of RMB327.9 million in the same period of 2017.

Dividends

The board of directors of the Company (the "Board") did not recommend the payment of an interim dividend for the six-month period ended 30 June 2018. During the reporting period, the Company distributed the dividend amounted to RMB322.7 million in cash for 2017.

Significant investment

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

Capital expenditure

During the reporting period, the Group's capital expenditure in respect of acquisitions, property, plant and equipment as well as prepaid land lease payments amounted to RMB59.8 million.

Pledge of assets

As at 30 June 2018, the Group did not pledge any assets.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital structure in order to safeguard its normal production and operations and maximise shareholders' value. The Group manages its capital structure and makes timely adjustments according to the change of economic conditions. To maintain or realign our capital structure, the Group may incur new debts or issue new shares. The gearing ratio of the Group as at 30 June 2018 (calculated as interest-bearing liabilities divided by the sum of total equity and interest bearing liabilities) was 15.9%.

Cash and cash equivalents

As at the beginning of the reporting period, the Group's cash and cash equivalents were RMB6,604.9 million. For the reporting period, the net cash inflow from operating activities was RMB1,011.8 million, net cash inflow from investing activities was RMB348.6 million, net cash inflow from financing activities was RMB13.8 million, and the effect caused by the exchange movement on cash and cash equivalents was RMB2.5 million. As at 30 June 2018, the Group's cash and cash equivalents were RMB7,981.7 million. The Group has sufficient working capital to meet the funds required for its day-to-day operation and future development.

Human resources and training

As at 30 June 2018, the Group had 5,012 employees. The Company has a comprehensive remuneration system and a systematic welfare plan as well as an effective performance appraisal system in place to ensure that the remuneration policy of the Company effectively provides incentives to its staff. The Company determines staff remuneration according to their positions, performance and capability.

During the reporting period, the Company held training courses with a total of 35,791 enrolments and 153,391 training hours according to its annual training plan.

During the reporting period, the Company held 201 safety training courses at Company level, with a total of 3,897 enrolments and 10,665 training hours, covering topics such as safety awareness, regulatory information, risk management measures, knowledge on fire hazard prevention, emergency management, traffic safety and occupational hygiene knowledge.

Market risks

The major market risks of the Group are exposure to changes in selling prices of key products and in costs of raw materials (mainly natural gas, coal, phosphorous ore, synthetic ammonia and sulphur), fuels (mainly natural gas and coal), energy costs and fluctuations in interest rates and exchange rates.

Commodity price risk

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

Interest rate risk

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

Foreign exchange risk

The Group's revenue was primarily denominated in RMB and secondarily in USD. During the reporting period, the RMB to USD exchange rate ranged between 6.2764 and 6.6166. Fluctuation in the exchange rate of RMB to USD may affect our sales revenue from export of products, as well as import of our equipment and raw materials.

Inflation and currency risk

According to the statistics of National Bureau of Statistics of China, the consumer price index of the PRC increased by 2.0% during the reporting period, which did not have a significant effect on the Group's operating results for the period.

Subsequent events and contingent liabilities

As at 30 June 2018, the Group had no subsequent events or contingent liabilities.

Material litigation and arbitration

As at 30 June 2018, the Company had no material litigation or arbitration.

4. Sector Outlook

In the second half of 2018, domestic demand for chemical fertilisers will enter into the off-season and particular attention should be paid to the global market trend. The fully-marketised operational environment and the upgrade of environmental protection standards will further facilitate the consolidation of the chemical fertiliser industry in the PRC.

The methanol sector is still undergoing a development boom, where downstream traditional demand keeps steadily growing while methanol-to-olefins and methanol fuels still have much room for growth and therefore serve as the major driving forces of the demands for methanol.

5. Our Key Tasks in the second half of 2018

1. To continuously endeavour to coordinate the stable supply of upstream natural gas, with emphasis on the put-into-use of the natural gas from Dongfang 13-2 Gasfield as planned;

2. To persistently strengthen and enhance HSE and refined production management, in an effort to achieve safe and stable operation of each production unit;

3. To bolster our operating capacity and put heightened emphasis on autumn sales as well as winter storage and sales of chemical fertilisers;

4. To continue to optimise the product structure by increasing the production and sales proportions of NPK and value-added fertilisers;

5. To continue to step up efforts on cost reduction, quality improvement and efficiency enhancement, and to lower raw material procurement costs and strictly manage expenses;

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

7. To continuously pay attention to domestic and overseas development, merger and acquisition opportunities which are in line with the Company's development strategies.

(IV) 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 2018. The Group's unaudited interim results for the six months ended 30 June 2018 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 has any disagreement over the accounting treatments adopted in preparing the interim results during the reporting period.

Compliance with Corporate Governance Code

The Company strives to maintain a high level of corporate governance in order to enhance transparency and ensure the protection of the overall interests of the shareholders. During the six months ended 30 June 2018, 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").

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Board confirms that, having made specific enquiries with all directors and supervisors of the Company, during the six months ended 30 June 2018, all members of the Board and all supervisors have complied with the required standards as set out in the Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Listing Rules.

Purchase, Sale and Redemption of the Company's Listed Securities

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

Disclosure on the Website of the Stock Exchange

This results announcement is published on the HKExnews website (http://www.hkexnews.hk) and on the Company's website (http://www.chinabluechem.com.cn). The 2018 Interim Report will be available on the HKExnews and the Company's website in due course.

By Order of the Board
China BlueChemical Ltd.*
Xia Qinglong
Chairman

Hong Kong, the People's Republic of China, 28 August 2018

As at the date of this announcement, the executive Directors of the Company are Mr. Xia Qinglong and Mr. Wang Weimin, the non-executive Directors of the Company are Mr. Meng Jun and Mr. Guo Xinjun, and the independent non-executive Directors of the Company are Ms. Lee Kit Ying, Mr. Lee Kwan Hung and Mr. Yu Changchun.

* *For identification purpose only*