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: 3983)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS

1. Revenue amounted to RMB5,269 million
2. Gross profit amounted to RMB1,027 million
3. Profit attributable to owners of the Company amounted to RMB549 million
4. Basic earnings per share was RMB0.12

(I) UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

	Notes	Six months ended 30 June 2019 (Unaudited) *RMB'000*	30 June 2018 (Unaudited) *RMB'000*
Revenue	4	**5,269,002**	5,498,224
Cost of sales		**(4,242,289)**	(4,162,234)
Gross profit		**1,026,713**	1,335,990
Other income	4	**88,104**	43,139
Other gains and losses	5	**4,082**	222,553
Selling and distribution costs		**(191,404)**	(205,643)
Administrative expenses		**(198,168)**	(190,647)
Other expenses		**(15,555)**	(16,072)
Change in fair value of financial assets at fair value through profit or loss		**37,106**	—
Finance income		**118,203**	5,962
Finance costs		**(45,563)**	(49,994)
Net exchange losses		**(2,652)**	(1,151)
Share of profits/(losses) of joint ventures		**442**	(35)
Share of (losses)/profits of associates		**(922)**	433
Profit before income tax	6	**820,386**	1,144,535
Income tax expenses	7	**(222,997)**	(293,734)
Profit for the period		**597,389**	850,801
Profit for the period attributable to:			
Owners of the Company		**548,708**	752,353
Non-controlling interests		**48,681**	98,448
		597,389	850,801
Earnings per share attributable to owners of the Company			
— Basic for the period *(RMB per share)*	8	**0.12**	0.16

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2019

	Six months ended 30 June 2019 (Unaudited) *RMB'000*	30 June 2018 (Unaudited) *RMB'000*
Profit for the period	**597,389**	850,801
Other comprehensive income for the period, net of tax		
Item that may be reclassified subsequently to profit or loss		
Exchange differences arising on translation of foreign operation	**130**	(2,423)
Share of other comprehensive income of joint ventures	**1,660**	—
Share of other comprehensive income of associates	**2**	—
Total comprehensive income for the period	**599,181**	848,378
Total comprehensive income for the period attributable to:		
Owners of the Company	**550,500**	749,930
Non-controlling interests	**48,681**	98,448
	599,181	848,378

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2019

	Notes	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		**6,877,769**	7,100,978
Mining rights		**134,767**	135,593
Prepaid lease payments	9	**579,225**	573,582
Investment properties		**106,223**	110,053
Intangible assets		**29,245**	33,282
Investment in joint ventures	10	**229,383**	227,281
Investment in associates	11	**218,838**	219,758
Financial asset at fair value through other comprehensive income		**600**	600
Deferred tax assets		**794,173**	806,692
		8,970,223	9,207,819
CURRENT ASSETS			
Inventories		**1,362,099**	1,286,322
Trade receivables	12	**96,781**	41,357
Bills receivable	13	**152,314**	113,949
Contract assets		**41,586**	16,116
Prepayments, deposits and other receivables		**321,036**	323,819
Financial assets at fair value through profit or loss		**1,637,106**	—
VAT recoverable		**260,197**	248,982
Pledged bank deposits		**50,073**	50,003
Time deposits with original maturity over three months		**5,158,118**	5,260,802
Cash and cash equivalents		**1,970,551**	3,400,039
		11,049,861	10,741,389
TOTAL ASSETS		**20,020,084**	19,949,208

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION — continued

At 30 June 2019

	Notes	30 June 2019 (Unaudited) *RMB'000*	31 December 2018 (Audited) *RMB'000*
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Issued capital		**4,610,000**	4,610,000
Reserves		**9,459,682**	8,909,182
Proposed dividends	14	**—**	691,500
Equity attributable to owners of the Company		**14,069,682**	14,210,682
Non-controlling interests		**802,824**	916,956
TOTAL EQUITY		**14,872,506**	15,127,638
NON-CURRENT LIABILITIES			
Benefits liability		**45,668**	52,037
Interest-bearing bank borrowings		**640,000**	685,000
Lease liabilities		**25,480**	—
Deferred tax liabilities		**41,213**	43,147
Deferred revenue		**159,901**	169,327
Other long-term liabilities		**113,339**	139,896
		1,025,601	1,089,407
CURRENT LIABILITIES			
Trade payables	15	**738,783**	708,390
Contract liabilities		**441,532**	557,099
Other payables and accruals		**886,607**	843,668
Interest-bearing bank borrowings		**1,934,848**	100,000
Lease liabilities		**4,515**	—
Obligations under finance leases		**—**	1,336,131
Income tax payable		**115,692**	186,875
		4,121,977	3,732,163

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION — continued

At 30 June 2019

	Notes	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
TOTAL LIABILITIES		**5,147,578**	4,821,570
TOTAL EQUITY AND LIABILITIES		**20,020,084**	19,949,208
NET CURRENT ASSETS		**6,927,884**	7,009,226
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,898,107**	16,217,045
NET ASSETS		**14,872,506**	15,127,638

(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 "**Stock Exchange**").

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

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

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

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

A. Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC-4 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

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

B. As a lessee

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

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

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

Right-of-use asset

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

Lease liability

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

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

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

C. As a lessor

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

D. Transition

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

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

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

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

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

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

E. Impact on transition

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

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

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

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

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

F. Impacts for the period

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

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

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

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

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

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

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

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

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

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

3. OPERATING SEGMENT INFORMATION

Information reported to the Chief Executive Officer, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on types of goods and services delivered or produced. The measure reported for resources allocation and segment's performance assessment is the same as last annual financial statements. Hence, the Group has reportable operating segments as follows:

(a) the urea segment is engaged in the manufacture and sale of urea;

(b) the phosphorus and compound fertiliser segment is engaged in the manufacture and sale of MAP, DAP and compound fertiliser;

(c) the methanol segment is engaged in the manufacture and sale of methanol; and

(d) the "others" segment mainly comprises segments engaged in port operations and provision of transportation services; trading of fertilisers and chemicals; manufacture and sale of Bulk Blending (the "**BB**") fertiliser, POM and woven plastic bags.

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

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

	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 2019 (Unaudited)						
Segment revenue:						
Sales to external customers	**2,084,832**	**983,965**	**1,495,089**	**705,116**	**—**	**5,269,002**
Inter-segment sales	**—**	**—**	**—**	**190,247**	**(190,247)**	**—**
Total	**2,084,832**	**983,965**	**1,495,089**	**895,363**	**(190,247)**	**5,269,002**
Segment results:						
Segment profit/(loss) before income tax	**431,325**	**40,515**	**286,659**	**(33,254)**	**—**	**725,245**
Interest and unallocated income						**159,391**
Corporate and other unallocated expenses						**(61,118)**
Net exchange losses						**(2,652)**
Share of profits of joint ventures						**442**
Share of losses of associates						**(922)**
Profit before income tax						**820,386**

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

4. REVENUE AND OTHER INCOME

An analysis of revenue and other income is as follows:

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

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

5. OTHER GAINS AND LOSSES

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

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

7. INCOME TAX EXPENSES

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

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 People's Republic of China (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

(b) Hong Kong profits tax

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

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

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

8. EARNINGS PER SHARE

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

	Six months ended	
	30 June 2019	30 June 2018
	'000	*'000*
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 2018 and the six months ended 30 June 2019.

9. PREPAID LEASE PAYMENTS

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

As of the date of issuance of the condensed consolidated financial statements, the land use right certificate held by CNOOC Hualu Shanxi Coal Chemical Co., Ltd. ("**CNOOC Hualu**") has been invalidated and written-off after CNOOC Hualu was served the relevant seizure notification by the local land bureau. In addition, the directors of the Company are of the view that there is no evidence the payables for acquisition of the said land use right amounting to RMB26,339,000 (31 December 2018: RMB26,339,000), presented under "Other long term liabilities" and "Other payables and accruals", are no longer payable.

10. INVESTMENT IN JOINT VENTURES

	30 June 2019 (Unaudited) ***RMB'000***	31 December 2018 (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	**(35,916)**	(38,018)
	229,383	227,281

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		*%*	
貴州錦麟化工有限責任公司 (transliterated as Guizhou Jinlin Chemical Co., Ltd.)	PRC 12 April 2007	RMB481,398	Direct Indirect	41.26 —	Phosphorus mining and processing manufacture and sales of phosphorus ore and chemical products
CBC (Canada) Holding Corp. (中海化學(加拿大)控股公司)	Canada 28 May 2013	CAD24,000	Direct Indirect	60.00 —	Investment holding
海南八所港勞動服務有限公司 (transliterated as Hainan Basuo Port Labour Service Limited)	PRC 24 April 2005	RMB5,000	Direct Indirect	— 36.56	Provision of overseas shipping services

11. INVESTMENT IN ASSOCIATES

	30 June 2019	31 December 2018
	(Unaudited)	(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	**(451,193)**	(450,273)
	218,838	219,758

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 30 June 2019	31 December 2018	Principal activities
山西華鹿陽坡泉煤礦有限公司 (transliterated as Shanxi Hualu Yangpoquan Coal Mining Co., Ltd.) ("**Yangpoquan Coal**") *(Note)*	PRC 3 August 2001	RMB52,000	Direct Indirect	**49.00** **—**	49.00 —	Mining and sale of coal
中國八所外輪代理有限公司 (transliterated as China Basuo Overseas Shipping Agency Co., Ltd.)	PRC 24 May 2000	RMB1,800	Direct Indirect	**—** **36.56**	— 36.56	Provision of overseas shipping services
內蒙古鴻豐包裝有限責任公司 (transliterated as Inner Mongolia Hong Feng Packaging Co., Ltd.)	PRC 9 December 1999	RMB3,297	Direct Indirect	**—** **45.21**	— 45.21	Manufacture and sale of woven plastic bags
聯合惠農農資(北京)有限公司 (transliterated as United Agricultural Means of Production (Beijing) Co., Ltd.)	PRC 7 June 2016	RMB100,000	Direct Indirect	**30.00** **—**	30.00 —	Merchandising

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

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

12. TRADE RECEIVABLES

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

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

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

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

	30 June 2019 (Unaudited) ***RMB'000***	31 December 2018 (Audited) *RMB'000*
Within six months	**96,779**	41,329
Over six months but within one year	**—**	28
Over two years	**2**	—
	96,781	41,357

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

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

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

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

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

As at 30 June 2019, the amounts due from CNOOC, its subsidiaries, and associates, (other than the ultimate holding company collectively referred to as the "**CNOOC group companies**") included in the above trade receivable balances are in aggregate RMB46,479,000 (31 December 2018: RMB21,950,000). The amounts due are unsecured, non-interest bearing and repayable on similar credit terms to those offered to the major customers of the Group.

13. BILLS RECEIVABLE

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

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

As at 30 June 2019, the Group's maximum exposure to loss, which 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 RMBNil (31 December 2018: RMB278,726,000).

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

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

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

15. TRADE PAYABLES

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

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

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

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

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

(III) MANAGEMENT DISCUSSION AND ANALYSIS

1. Sector Review

Chemical Fertiliser Industry

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

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

(I) Urea

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

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

(II) Phosphate fertilisers

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

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

Methanol

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

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

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

POM

From January to May 2019, the domestic POM production recorded approximately 130,100 tonnes, representing an increase of approximately 23.1% as compared with the same period of last year; the import volume of POM ranged from approximately 17,000 to 27,000 tonnes per month and the export volume approximately 1,500 to 2,800 tonnes per month, both of which recorded a slight decrease as compared to 2018.

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

2. Business Review

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

In the first half of the year, facing the unfavourable market situation of sharp decline of chemical product prices, the Company used its marketing company as the platform to exploit the overall planning strengths of its products, and marketing, as a second engine, played an increasingly significant role. The Company sold 1,171,000 tonnes of urea, 744,000 tonnes of methanol, 391,000 tonnes of phosphate fertiliser and compound fertiliser, and 9,566 tonnes of POM, and the sales volume of compound fertiliser recorded 113,000 tonnes, an increase of 15.66% as compared with the same period of last year, with significant achievement in products structure adjustment. In the first half of the year, the Company exported approximately 150,000 tonnes of urea and 18,000 tonnes of DAP.

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

	For the six months ended 30 June					
	2019			2018		
Chemical fertilisers	**Production** *(tonnes)*	**Sales volume** *(tonnes)*	**Utilisation rate** *(%)*	Production *(tonnes)*	Sales volume *(tonnes)*	Utilisation rate *(%)*
Urea						
Fudao Phase I	**270,606**	**256,187**	**104.1**	194,654	180,506	74.9
Fudao Phase II	**390,696**	**387,998**	**97.7**	421,979	412,973	105.5
CNOOC Tianye	**231,393**	**216,565**	**89.0**	210,122	238,915	80.8
CNOOC Huahe	**323,990**	**310,277**	**124.6**	321,205	342,071	123.5
Group total	**1,216,685**	**1,171,027**	**103.1**	1,147,960	1,174,465	97.3
Phosphate fertilisers and compound fertilisers						
DYK MAP	**22,873**	**15,500**	**30.5**	25,147	14,838	33.5
DYK DAP Phase I *(Note 1)*	**127,884**	**126,527**	**73.1**	167,341	140,476	95.6
DYK DAP Phase II	**273,600**	**249,466**	**109.4**	259,608	267,408	103.8
Group total	**424,357**	**391,493**	**84.9**	452,096	422,722	90.4
Chemical products						
Methanol						
Hainan Phase I	**275,733**	**290,829**	**91.9**	289,959	292,031	96.7
Hainan Phase II	**385,329**	**385,746**	**96.3**	347,725	337,826	86.9
CNOOC Tianye	**84,777**	**67,254**	**84.8**	80,662	73,683	80.7
Group total	**745,839**	**743,829**	**93.2**	718,346	703,540	89.8
POM						
CNOOC Tianye	**9,903**	**9,566**	**99.0**	—	—	—
Group total	**9,903**	**9,566**	**99.0**	—	—	—

Note 1: In the first half of 2019, the DYK DAP Phase I Plant produced 5,588 tonnes of DAP and 122,296 tonnes of compound fertilisers, amounting to 127,884 tonnes in total, and sold 13,195 tonnes of DAP and 113,332 tonnes of compound fertilisers, amounting to 126,527 tonnes in total. 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, amounting to 167,341 tonnes in total, and sold 42,487 tonnes of DAP and 97,989 tonnes of compound fertilisers, amounting to 140,476 tonnes in total.

BB fertilisers

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

3. Financial Review

Revenue and gross profit

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

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

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

During the reporting period, the Group's external revenue from methanol was RMB1,495.1 million, representing a decrease of RMB317.8 million, or 17.5%, from RMB1,812.9 million during the same period of 2018, which was primarily attributable to (1) an increase in the sales volume of methanol by 40,289 tonnes, resulting in an increase in revenue by RMB103.8 million; and (2) a decrease in revenue by RMB421.6 million resulted from a decrease in the selling price of methanol by RMB566.8 per tonne.

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

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

Other income, other gains and losses

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

Selling and distribution costs

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

Administrative expenses

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

Other expenses

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

Finance income and finance costs

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

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

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

Net exchange losses

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

Share of profits/losses of associates and joint ventures

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

Income tax expenses

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

Net profit for the period

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

Dividends

The board of directors of the Company (the "Board") did not recommend the payment of an interim dividend for the six-month period ended 30 June 2019. During the reporting period, the Company distributed the dividend amounted to RMB691.5 million in cash for 2018.

Significant investment

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

Significant acquisition and disposal of subsidiaries, joint ventures and associates

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

Capital expenditure

During the reporting period, the Group's capital expenditure in respect of acquisitions, property, plant and equipment as well as prepaid land lease payments amounted to RMB121.1 million.

Pledge of assets

As at 30 June 2019, the Group did not pledge any assets.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital structure in order to safeguard its normal production and operations and maximise shareholders' value. The Group manages its capital structure and makes timely adjustments according to the change of economic conditions. To maintain or realign our capital structure, the Group may incur new debts or issue new shares. As at 30 June 2019, the Group's total interest-bearing bank borrowings amounted to RMB2,575 million, among which RMB300 million were bearing interests at fixed rate and the remaining borrowings were bearing interests at floating rate. The gearing ratio of the Group as at 30 June 2019 (calculated as interest-bearing liabilities divided by the sum of total equity and interest-bearing liabilities) was 14.8%.

Cash and cash equivalents

As at the beginning of the reporting period, the Group's cash and cash equivalents were RMB3,400.0 million. For the reporting period, the net cash inflow from operating activities was RMB504.5 million, net cash outflow from investing activities was RMB1,503.9 million, net cash outflow from financing activities was RMB428.5 million, and the effect caused by the exchange movement on cash and cash equivalents was RMB1.6 million. As at 30 June 2019, the Group's cash and cash equivalents were RMB1,970.6 million with the main currency of RMB. The Group has sufficient working capital to meet the funds required for its day-to-day operation and future development.

Human resources and training

As at 30 June 2019, the Group had 4,775 employees. The Company has a comprehensive remuneration system and a systematic welfare plan as well as an effective performance appraisal system in place to ensure that the remuneration policy of the Company effectively provides incentives to its staff. The Company determines staff remuneration based on their positions, performance and capability.

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

During the reporting period, the Company held 826 safety training courses at team, workshop and Company level for employees at all tiers, including contractors, with a total of 19,896 enrolments and 572,193 training hours, covering topics such as safety awareness, regulatory information, risk management measures, knowledge on fire hazard prevention, emergency management, traffic safety and occupational hygiene knowledge.

Market risks

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

Commodity price risk

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

Interest rate risk

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

Foreign exchange risk

The Group's revenue was primarily denominated in RMB and secondarily in USD. During the reporting period, the RMB to USD exchange rate ranged between 6.6850 and 6.8994. Fluctuation in the exchange rate of RMB to USD may affect our sales revenue from export of products, as well as import of our equipment and raw materials.

Inflation and currency risk

According to the statistics of National Bureau of Statistics of China, the consumer price index of the PRC increased by 2.2% during the reporting period, which did not have a significant effect on the Group's operating results for the period.

Subsequent events and contingent liabilities

As at 30 June 2019, the Group had no subsequent events or contingent liabilities.

Material litigation and arbitration

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

4. Sector Outlook

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

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

5. Our Key Tasks in the second half of 2019

1. To continuously coordinate the stable supply of natural gas;

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

3. To improve the management ability, fully exploit the coordinating role of the marketing company, and well carry out the autumn selling and winter inventory selling of fertiliser;

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

5. To continuously promote energy conservation and consumption reduction, and complete the survey of online energy consumption monitoring system and enhance its implementation;

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

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

(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 2019. The Group's unaudited interim results for the six months ended 30 June 2019 have been reviewed independently by the Company's external auditor, 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 during the reporting period.

Compliance with Corporate Governance Code

The Company strives to maintain a high level of corporate governance in order to enhance transparency and ensure the protection of the overall interests of the shareholders. During the six months ended 30 June 2019, the Company had complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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 2019, 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 2019, 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 2019 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

Beijing, the People's Republic of China, 28 August 2019

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. Karen Lee Kit Ying, Mr. Eddie Lee Kwan Hung and Mr. Yu Changchun.

* *For identification purpose only*