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 2020

FINANCIAL HIGHLIGHTS

1. Revenue amounted to RMB4,972 million

2. Gross profit amounted to RMB685 million

3. Profit attributable to owners of the Company amounted to RMB310 million

4. Basic earnings per share was RMB0.07

(I) UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

		Six months ended	
		30 June	30 June
		2020	2019
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
Revenue	4	**4,971,572**	5,269,002
Cost of sales		**(4,286,245)**	(4,242,289)
Gross profit		**685,327**	1,026,713
Other income	4	**42,511**	88,104
Other gains and losses	5	**16,525**	4,082
Selling and distribution costs		**(224,952)**	(191,404)
Administrative expenses		**(189,860)**	(198,168)
Other expenses		**(7,057)**	(15,555)
Change in fair value of financial assets at fair value through profit or loss		**28,774**	37,106
Finance income		**119,283**	118,203
Finance costs		**(38,596)**	(45,563)
Net exchange gains/(losses)		**127**	(2,652)
Share of (losses)/profits of joint ventures		**(133)**	442
Share of profits/(losses) of associates		**450**	(922)
Profit before income tax	6	**432,399**	820,386
Income tax expenses	7	**(132,783)**	(222,997)
Profit for the period		**299,616**	597,389
Profit for the period attributable to:			
Owners of the Company		**309,939**	548,708
Non-controlling interests		**(10,323)**	48,681
		299,616	597,389
Earnings per share attributable to owners of the Company			
— Basic for the period *(RMB per share)*	8	**0.07**	0.12

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2020

	Six months ended 30 June 2020 (Unaudited) *RMB'000*	30 June 2019 (Unaudited) *RMB'000*
Profit for the period	**299,616**	597,389
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 operations	**557**	130
Share of other comprehensive income of joint ventures	**(1,956)**	1,660
Share of other comprehensive income of associates	**55**	2
	(1,344)	1,792
Total comprehensive income for the period	**298,272**	599,181
Total comprehensive income for the period attributable to:		
Owners of the Company	**308,595**	550,500
Non-controlling interests	**(10,323)**	48,681
	298,272	599,181

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2020

	Notes	**30 June 2020 (Unaudited) *RMB'000***	31 December 2019 (Audited) *RMB'000*
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		**6,508,628**	6,752,340
Mining rights		**132,965**	133,744
Prepaid lease payments	9	**565,413**	571,221
Investment properties		**96,689**	99,445
Intangible assets		**15,990**	28,574
Investment in joint ventures	10	**225,830**	227,919
Investment in associates	11	**35,195**	216,587
Financial asset at fair value through other comprehensive income		**600**	600
Deferred tax assets		**493,375**	504,140
		8,074,685	8,534,570
CURRENT ASSETS			
Inventories		**1,243,814**	1,110,767
Trade receivables	12	**465,140**	32,608
Bills receivable	13	**339,235**	333,354
Contract assets		**86,718**	58,233
Prepayments, deposits and other receivables		**375,709**	337,246
Financial assets at fair value through profit or loss	14	**2,022,734**	2,898,451
VAT recoverable		**261,077**	286,118
Pledged bank deposits		**4,129**	4,129
Time deposits with original maturity over three months		**5,500,000**	5,000,000
Cash and cash equivalents		**1,002,954**	824,096
		11,301,510	10,885,002
A disposal group and a non-current asset classified as held for sale	17	**200,644**	—
		11,502,154	10,885,002
TOTAL ASSETS		**19,576,839**	19,419,572

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 30 June 2020

	Notes	**30 June 2020 (Unaudited)** *RMB'000*	31 December 2019 (Audited) *RMB'000*
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Issued capital		**4,610,000**	4,610,000
Reserves		**9,658,684**	9,350,089
Proposed dividends	15	**—**	350,360
Equity attributable to owners of the Company		**14,268,684**	14,310,449
Non-controlling interests		**750,829**	806,640
TOTAL EQUITY		**15,019,513**	15,117,089
NON-CURRENT LIABILITIES			
Benefits liability		**36,874**	42,455
Interest-bearing bank borrowings		**287,000**	422,000
Lease liabilities		**22,221**	22,190
Deferred tax liabilities		**16,120**	19,382
Deferred revenue		**131,094**	130,126
Other long-term liabilities		**5,483**	29,880
		498,792	666,033

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 30 June 2020

	Notes	**30 June 2020 (Unaudited) *RMB'000***	31 December 2019 (Audited) *RMB'000*
CURRENT LIABILITIES			
Trade payables	16	**1,059,920**	688,471
Contract liabilities		**353,504**	442,869
Other payables and accruals		**814,004**	876,619
Interest-bearing bank borrowings		**1,746,143**	1,587,000
Lease liabilities		**5,792**	4,527
Income tax payable		**48,020**	36,964
		4,027,383	3,636,450
Liabilities associated with a disposal group classified as held for sale	17	**31,151**	—
		4,058,534	3,636,450
TOTAL LIABILITIES		**4,557,326**	4,302,483
TOTAL EQUITY AND LIABILITIES		**19,576,839**	19,419,572
NET CURRENT ASSETS		**7,443,620**	7,248,552
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,518,305**	15,783,122
NET ASSETS		**15,019,513**	15,117,089

(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 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

The IASB has issued a number of new or amended International Financial Reporting Standards ("**IFRSs**") that are first effective on 1 January 2020 (and 1 June 2020 for the amendment to IFRS 16) and are therefore applicable for the current accounting period of the Group.

IFRSs	Effective Date
• Amendments to IFRS 3, Definition of as Business	1 January 2020
• Amendments to IAS 1 and IAS 8, Definition of a Material	1 January 2020
• Amendments to IFRS 9 and IAS 39 and IFRS 7, Interest Rate Benchmark Reform	1 January 2020
• Conceptual Framework for Financial Reporting (Revised)	1 January 2020
• Amendment to IFRS 16, COVID-19-Related Rent Concessions	1 June 2020

The new or amended IFRSs that are effective from 1 January 2020 (and 1 June 2020 for the amendment to IFRS 16) did not have any material impact on the group's accounting policies.

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

	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 2020 (Unaudited)						
Segment revenue:						
Sales to external customers	**2,096,668**	**875,294**	**1,095,573**	**904,037**	**—**	**4,971,572**
Inter-segment sales	**—**	**—**	**—**	**197,728**	**(197,728)**	**—**
Total	**2,096,668**	**875,294**	**1,095,573**	**1,101,765**	**(197,728)**	**4,971,572**
Segment results:						
Segment profit/(loss) before income tax	**338,419**	**(6,129)**	**20,981**	**(40,245)**	**—**	**313,026**
Interest and unallocated income						**164,582**
Corporate and other unallocated expenses						**(45,653)**
Net exchange gains						**127**
Share of losses of joint ventures						**(133)**
Share of profits of associates						**450**
Profit before income tax						**432,399**

	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

4. REVENUE AND OTHER INCOME

An analysis of revenue and other income is as follows:

	Six months ended 30 June 2020 (Unaudited) *RMB'000*	30 June 2019 (Unaudited) *RMB'000*
Revenue		
Sale of goods, recognised at a point in time*	**4,758,028**	5,070,039
Rendering of services, recognised overtime*	**213,544**	198,963
	4,971,572	5,269,002
Other income		
Income from sale of other materials, recognised at a point in time*	**10,037**	8,151
Income from rendering of other services, recognised overtime*	**10,585**	12,114
Gross rental income	**2,962**	1,396
Government grants	**17,760**	63,855
Others	**1,167**	2,588
	42,511	88,104

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

5. OTHER GAINS AND LOSSES

	Six months ended 30 June 2020 (Unaudited) *RMB'000*	30 June 2019 (Unaudited) *RMB'000*
Gain on disposal of financial assets at FVTPL	**17,105**	6,559
Reversal of impairment loss on other receivables	**—**	163
Loss on disposal of property, plant and equipment	**(580)**	(2,640)
	16,525	4,082

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 2020	30 June 2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cost of inventories sold	**4,111,275**	4,075,941
Write-down of inventories to net realisable value	**—**	3,625
Cost of services provided	**174,970**	162,723
Cost of sales recognised as expenses	**4,286,245**	4,242,289
Depreciation and amortisation:		
Depreciation of property, plant and equipment		
— Owned property, plant and equipment	**315,198**	293,289
— Right-of-use assets included in:		
— Buildings	**804**	1,165
— Plant and machinery	**1,963**	50,469
Amortisation of mining rights	**779**	826
Amortisation of prepaid lease payments	**5,681**	7,374
Amortisation of investment properties	**2,756**	3,830
Amortisation of intangible assets	**3,347**	3,604
	330,528	360,557

7. INCOME TAX EXPENSES

	Six months ended	
	30 June 2020	30 June 2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current tax		
PRC Enterprise Income Tax	**120,531**	206,105
Under-provision in prior year	**2,440**	6,307
	122,971	212,412
Deferred tax	**9,812**	10,585
Total income tax expenses	**132,783**	222,997

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 the six months ended 30 June 2020 and 2019.

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 2020 (Unaudited) ***RMB'000***	30 June 2019 (Unaudited) *RMB'000*
Profit before tax	**432,399**	820,386
Tax at the statutory tax rate of 25%	**108,100**	205,097
Tax effect of concessionary tax rate	**(266)**	(431)
Tax effect of share of (profits)/losses of joint ventures and associates	**(79)**	120
Tax effect of revenue not taxable for tax purposes	**—**	(6,268)
Tax effect of expenses not deductible for tax purposes	**1,245**	737
Tax effect of tax losses not recognised	**28,625**	21,721
Tax effect of deductible temporary differences not recognised	**—**	3,658
Utilization of deductible temporary differences not recognised	**(7,282)**	(7,944)
Under-provision in respect of prior years	**2,440**	6,307
Income tax expenses	**132,783**	222,997
The Group's effective income tax rate	**31%**	27%

8. EARNINGS PER SHARE

	Six months ended 30 June 2020 (Unaudited) *RMB'000*	30 June 2019 (Unaudited) *RMB'000*
Earnings		
Profit for the period attributable to owners of the Company	**309,939**	548,708

	Six months ended 30 June 2020 *'000*	30 June 2019 *'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 2020 and 2019.

9. PREPAID LEASE PAYMENTS

The Group did not acquire land use right during the six months ended 30 June 2020 and 2019.

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 2019: RMB26,339,000), presented as "Other long term liabilities" and "Other payables and accruals" under "Liabilities associated with a disposal group classified as held for sale" (31 December 2019: non-current liabilities and current liabilities respectively), are no longer payable.

10. INVESTMENT IN JOINT VENTURES

	30 June 2020 (Unaudited) *RMB'000*	31 December 2019 (Audited) *RMB'000*
Cost of investment in joint ventures	**265,299**	265,299
Share of post-acquisition losses and other comprehensive income,net of dividends received	**(39,469)**	(37,380)
	225,830	227,919

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

Name of the entity	Place and date of incorporation and operation	Registered capital '000		Percentage of equity interest attributable to the Company 30 June 2020 %	31 December 2019 %	Principal activities
貴州錦麟化工有限責任公司 (transliterated as Guizhou Jinlin Chemical Co., Ltd.)	PRC 12 April 2007	RMB481,398	Direct Indirect	**41.26** **—**	41.26 —	Phosphorus mining and processing, manufacturing and sales of phosphorus ore and chemical products
CBC (Canada) Holding Corp. (中海化學(加拿大)控股公司)	Canada 28 May 2013	CAD24,000	Direct Indirect	**60.00** **—**	60.00 —	Investment holding
海南八所港勞動服務有限公司 (transliterated as Hainan Basuo Port Labour Service Limited)	PRC 24 April 2005	RMB5,000	Direct Indirect	**—** **36.56**	— 36.56	Provision of overseas shipping services

11. INVESTMENT IN ASSOCIATES

	30 June 2020 (Unaudited) *RMB'000*	31 December 2019 (Audited) *RMB'000*
Cost of investment in associates	**670,031**	670,031
Share of post-acquisition losses and other comprehensive income, net of dividends received	**(452,939)**	(453,444)
Transfer to a non-current asset classified as held for sale *(Note 17)*	**(181,897)**	—
	35,195	216,587
A non-current asset classified as held for sale represented by:		
Cost of investment in an associate	**637,000**	—
Share of post-acquisition losses and other comprehensive income, net of dividends received	**(455,103)**	—
	181,897	—

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 2020 %	31 December 2019 %	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 31 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:

Yangpoquan Coal has been classified as held for sale at the end of the reporting period. Details of the transaction are disclosed in note 17.

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 may 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 2020 (Unaudited) ***RMB'000***	31 December 2019 (Audited) *RMB'000*
Trade receivables	**465,902**	33,370
Less: impairment loss	**(762)**	(762)
	465,140	32,608

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 2020 (Unaudited) ***RMB'000***	31 December 2019 (Audited) *RMB'000*
Within six months	**462,079**	32,608
Over six months but within one year	**3,061**	—
	465,140	32,608

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 2019: RMB762,000).

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

	30 June 2020 (Unaudited) ***RMB'000***	31 December 2019 (Audited) *RMB'000*
Neither past due nor impaired	**462,079**	32,608
One to three months past due	**3,061**	—
	465,140	32,608

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 2020, the amounts due from CNOOC, its subsidiaries and associates (other than the ultimate holding company collectively referred to as the "**CNOOC group companies**"), associates and the Company's subsidiaries' non-controlling shareholders and the non-controlling shareholders' subsidiaries (the "**Other Related Parties**") included in the above trade receivables were in aggregate RMB282,944,000 (31 December 2019: RMB3,464,000). 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 2020 and 31 December 2019 are all mature within six months.

As at 30 June 2020, the Group has transferred bills receivables having maturity less than six months from the reporting dates to its suppliers to settle its payables through endorsing the bills to its suppliers amounted to RMB193,719,000 (31 December 2019: RMB374,999,000). 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 2020, 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 RMB193,719,000 (31 December 2019: RMB374,999,000).

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

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2020 *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
Wealth management products	**2,022,734**	2,898,451

Financial assets at FVTPL represent wealth management products in licensed bank. Gain on maturity of financial assets at FVTPL of RMB17,105,000 (six months ended 30 June 2019: RMB6,559,000) was recognised for the six months ended 30 June 2020. The wealth management products will mature on 20 July 2020, 24 July 2020, 31 July 2020 and 22 October 2020 respectively (31 December 2019: the wealth management products were matured on 16 January 2020 and 27 May 2020 respectively).

15. PROPOSED DIVIDENDS

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

During the six months ended 30 June 2020, a final dividend of RMB0.076 per share in respect of the year ended 31 December 2019 (six months ended 30 June 2019: a final dividend of RMB0.150 per share in respect of the year ended 31 December 2018) was declared and paid to the owners of the Company. The dividend declared and paid during the six months ended 30 June 2020 amounted to RMB350,360,000 (six months ended 30 June 2019: RMB691,500,000).

The board of directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: RMBNil).

16. TRADE PAYABLES

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

	30 June 2020 (Unaudited) ***RMB'000***	31 December 2019 (Audited) *RMB'000*
Trade payables	**1,059,920**	688,471

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

	30 June 2020 (Unaudited) ***RMB'000***	31 December 2019 (Audited) *RMB'000*
Within six months	**989,011**	671,056
Over six months but within one year	**54,707**	—
Over one year but within two years	**9,017**	11,822
Over two years but within three years	**3,359**	1,152
Over three years	**3,826**	4,441
	1,059,920	688,471

As at 30 June 2020, the amounts due to CNOOC group companies and associates included in the above trade payables were in aggregate RMB216,672,000 (31 December 2019: RMB301,359,000).

17. A DISPOSAL GROUP AND A NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

The Group has entered into 2 equity transaction agreements dated on 18 June 2020 with 河曲縣泰陽煤業有限公司 (transliterated as Hequ Taiyang Coal Industry Co., Ltd.) (the "**Purchaser**") to dispose (i) the Group's 51% of equity interest in a subsidiary, CNOOC Hualu which under other segment; and (ii) 49% of equity interest in an associate, Yangpoquan Coal, at considerations of RMB102,065,000 and RMB637,000,000 respectively. The directors of the Company expect the transactions will be completed within one year.

(a) The following assets and liabilities relating to a disposal group, CNOOC Hualu, have been reclassified as held for sale in the condensed consolidated statement of financial position.

	RMB'000 **(Unaudited)**
Assets classified as held for sale	
Cash and cash equivalents	**13**
Prepayments, deposits and other receivables	**6,156**
Inventories	**48**
Property, plant and equipment	**3,293**
Prepaid lease payments	**9,237**
	18,747
Liabilities associated with assets classified as held for sale	
Other payables and accruals	**4,301**
Deferred tax liabilities	**2,309**
Other long-term liabilities	**24,541**
	31,151

CNOOC Hualu incurred net loss of RMB176,000 (six months ended 30 June 2019: RMB203,000) during the six months ended 30 June 2020. The disposal of CNOOC Hualu did not constitute a discontinued operation as it does not represent a major line of business.

(b) The following non-current asset relating to Yangpoquan Coal has been classified as held for sale in the condensed consolidated statement of financial position.

	RMB'000 **(Unaudited)**
Asset classified as held for sale	
Investment in an associate	**181,897**

(III) MANAGEMENT DISCUSSION AND ANALYSIS

1. Sector Review

Chemical Fertiliser Industry

In 2020, the PRC government proposed that ensuring grain safety is always the top priority for governing the national administration. Stability is the utmost objective of grain production, especially in policies, area and output. The assessment of the provincial chief responsibility system for food safety shall be strengthened, and the sowing and growing area and output of grain in all provincial administrative regions shall remain basically stable in 2020. In the first half of the year, the COVID-19 epidemic suppressed the market demand of the fertiliser industry for a short period of time, however, subsequently the demand was unleashed concentratedly in a short period of time.

(I) Urea

In the first half of the year, the operation rate of domestic urea plants was slightly higher than that of the same period last year, with a total domestic output of urea of 27.57 million tonnes (in kind), representing an increase of 1.3 million tonnes or approximately 3% as compared to the same period last year; the accumulated export volume of urea was approximately 1.718 million tonnes, representing a year-on-year decrease of approximately 2.6%.

In the first half of the year, the domestic urea price rose at first and tailed off subsequently. From late February to mid-March, the domestic urea price surged to RMB1,780 per tonne, as driven by the initiation of agricultural demand in spring and increase in the stock for resumption of operation of compound fertiliser plants; since mid-March, with the gradual resumption of operation and production of domestic enterprises, the domestic urea output increased significantly, leading to a gradual decline in domestic urea price, and then continued to decrease to RMB1,698 per tonne in fluctuation to the end of June.

(II) Phosphate fertilisers

In the first half of the year, the domestic output of ammonium phosphate was approximately 12.5 million tonnes (in kind), representing a year-on-year decrease of approximately 9%. Affected by the epidemic, the export volume of China decreased significantly in the first quarter, with a year-on-year decrease of approximately 26% to 2.03 million tonnes of DAP in the first half of the year.

At the beginning of the year, affected by the suspension of operation and production of enterprises and restriction on logistics, the delivery of the phosphate fertiliser market was sluggish; in March, driven by the market demand in spring, the price of phosphate fertiliser bottomed out and the price of DAP rose to RMB2,280 per tonne. In the second quarter, as the domestic market entered into the off-season for fertilisers utilisation, the domestic market experienced a slight decline, and the price of DAP reached RMB2,160 per tonne at the end of June; however, as the international demand increased, the major FOB price of DAP rose to US$310 to US$315 per tonne, representing an increase of US$15 per tonne from the beginning of the year.

Chemical Industry

In the first half of the year, impacted by the combining effect of the low crude oil prices and COVID-19 epidemic, the domestic chemical market was not optimistic overall, and the prices of major bulk products decreased.

(I) Methanol

In the first half of the year, the domestic production capacity increased by approximately 4.4 million tonnes and the domestic output of methanol was approximately 30.7 million tonnes, representing an increase of 1.24 million tonnes as compared to the same period last year or approximately 4.2% year-on-year; the import volume was approximately 5.9 million tonnes, representing an increase of 1.25 million tonnes as compared to the same period last year or 26.9% year-on-year.

In the first quarter, the price of methanol rose at first and decreased subsequently; the market price of methanol in the South China ranged from RMB1,570 to RMB2,400 per tonne; the price of methanol in Inner Mongolia ranged from RMB1,350 to RMB1,850 per tonne. In the second quarter, large amount of imported methanol was received at port and the market price fluctuated and declined within a narrow range. The market price in the South China ranged from RMB1,360 to RMB1,770 per tonne, and the price of methanol in Inner Mongolia ranged from RMB1,300 to RMB1,480 per tonne.

(II) POM

In the first half of the year, the domestic output of POM reached 131,000 tonnes, representing a year-on-year increase of 16%. The import and export volume was basically flat, and the apparent consumption increased by 7% year-on-year; price decreased by 16% year-on-year.

The first quarter is the traditional peak season for POM, while manufacturers increased their production as usual, and the price declined due to oversupply, with an average product price of RMB11,130 per tonne; in the second quarter, affected by the epidemic and decline in international crude oil prices, the price of methanol, which is an upstream raw material, dragged the price of POM down to RMB10,881 per tonne.

2. Business Review

During the reporting period, the Company actively responded to the impact of the epidemic and low oil prices, strengthened the refined production management, and achieved stable operation of all plants. In addition to the record success of both Hainan Phase I methanol plant and Fudao Phase II urea plant achieved the operating cycle of more than 400 days, Hainan Phase II achieved a long-term running for more than 300 days and CNOOC Tianye urea plant achieved a long-term running for more than 200 days. Leveraging these, in the first half of the year, the output of urea of the Company reached a record high of 1.381 million tonnes, the output of methanol was 806,000 tonnes, the output of phosphate fertilisers and compound fertilisers was 412,000 tonnes, and the output of POM was 17,000 tonnes.

In the first half of the year, facing the unfavourable market situation of prices plummeting of chemical fertilisers and chemical products, the Company increased the sales effort on value-added products, increased the sales proportion of products with higher gross profit, promoted the deep penetration of sales channels, etc., so as to continuously stimulate the growth momentum of marketing engine. The Company sold 1.329 million tonnes of urea, 737,000 tonnes of methanol, 422,000 tonnes of phosphate fertilisers and compound fertilisers and 15,000 tonnes of POM, of which the sales volume of urea reached a record high as compared to the same period in years; the product mix was adjusted continuously, with the sales volume of value-added products reaching 207,000 tonnes. By seizing the favourable international market conditions, the Company exported approximately 147,000 tonnes of urea and approximately 50,000 tonnes of DAP in the first half of the year.

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					
	2020			2019		
Chemical fertilisers	**Production** *(tonnes)*	**Sales volume** *(tonnes)*	**Utilisation rate** *(%)*	Production *(tonnes)*	Sales volume *(tonnes)*	Utilisation rate *(%)*
Urea						
Fudao Phase I	**273,298**	**259,779**	**105.1**	270,606	256,187	104.1
Fudao Phase II	**450,303**	**425,799**	**112.6**	390,696	387,998	97.7
CNOOC Tianye	**318,133**	**287,329**	**122.4**	231,393	216,565	89.0
CNOOC Huahe	**339,109**	**356,458**	**130.4**	323,990	310,277	124.6
Group total	**1,380,842**	**1,329,366**	**117.0**	1,216,685	1,171,027	103.1
Phosphate fertilisers and compound fertilisers						
DYK MAP	**24,591**	**31,587**	**32.8**	22,873	15,500	30.5
DYK DAP Phase I *(Note 1)*	**140,065**	**125,043**	**80.0**	127,884	126,527	73.1
DYK DAP Phase II	**247,134**	**265,562**	**98.9**	273,600	249,466	109.4
Group total	**411,790**	**422,192**	**82.4**	424,357	391,493	84.9
Chemical products						
Methanol						
Hainan Phase I	**319,158**	**281,956**	**106.4**	275,733	290,829	91.9
Hainan Phase II	**431,285**	**410,052**	**107.8**	385,329	385,746	96.3
CNOOC Tianye	**55,255**	**45,104**	**55.3**	84,777	67,254	84.8
Group total	**805,698**	**737,112**	**100.7**	745,839	743,829	93.2
POM						
CNOOC Tianye POM	**16,639**	**15,127**	**83.2**	9,903	9,566	99.0
Group total	**16,639**	**15,127**	**83.2**	9,903	9,566	99.0

Note 1: In the first half of 2020, the DYK DAP Phase I Plant produced 21,360 tonnes of DAP and 118,705 tonnes of compound fertilisers, amounting to 140,065 tonnes in total, and sold 18,930 tonnes of DAP and 106,113 tonnes of compound fertilisers, amounting to 125,043 tonnes in total. 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.

BB fertilisers

In the first half of 2020, the Group produced a total of 19,639 tonnes of BB fertilisers with a sales volume of 17,856 tonnes.

3. Financial Review

Revenue and gross profit

During the reporting period, the Group's revenue was RMB4,971.6 million, representing a decrease of RMB297.4 million, or 5.6%, from RMB5,269.0 million during the same period of 2019.

During the reporting period, the Group's external revenue from urea was RMB2,096.7 million, representing an increase of RMB11.9 million, or 0.6%, from RMB2,084.8 million during the same period of 2019. This was primarily attributable to: (1) an increase of 158,339 tonnes in the sales volume of urea, leading to an increase of RMB281.9 million in revenue; and (2) a decrease of RMB203 per tonne in the selling price of urea, leading to a decrease of RMB270.0 million in revenue.

During the reporting period, the Group's external revenue from phosphate fertilisers and compound fertilisers was RMB875.3 million, representing a decrease of RMB108.7 million, or 11.0%, from RMB984.0 million in the corresponding period of 2019. This was primarily attributable to: (1) an increase of 30,561 tonnes in the sales volume of phosphate fertilisers and compound fertilisers, leading to an increase of RMB76.8 million in revenue; and (2) a decrease of RMB440 per tonne in the selling price of phosphate fertilisers and compound fertilisers, leading to a decrease of RMB185.5 million in revenue.

During the reporting period, the Group's external revenue from methanol was RMB1,095.6 million, representing a decrease of RMB399.5 million, or 26.7%, from RMB1,495.1 million in the same period of 2019. This was primarily attributable to: (1) a decrease of 6,717 tonnes in the sales volume of methanol, leading to a decrease of RMB13.5 million in revenue; and (2) a decrease of RMB524 per tonne in the selling price of methanol, leading to a decrease of RMB386.0 million in revenue.

During the reporting period, the Group's external revenue from other segments (primarily comprising port operations and provision of transportation services; trading in fertilisers and chemicals, manufacture and sales of POM, BB fertilisers and woven plastic bags) amounted to RMB904.0 million, representing an increase of RMB198.9 million, or 28.2%, from RMB705.1 million in the corresponding period of 2019. This was mainly attributable to: (1) an increase of RMB173.6 million in revenue as compared with last year as a result of the increase in trading business volume during the year; (2) the Tianye POM Line C resumed in the second half of 2019, and the concurrent operation of both lines A and C in the first half of this year led to an increase in revenue of RMB18.0 million year-on-year; (3) an increase in revenue of RMB14.6 million due to the increase in throughput of Hainan Basuo Port; (4) a year-on-year decrease of RMB6.8 million in revenue due to a decrease in the sales volume and the price of BB fertilisers in Hainan; and (5) a decrease in revenue of RMB0.5 million from other income (mainly including liquid ammonia and formaldehyde).

During the reporting period, the Group's gross profit was RMB685.3 million, representing a decrease of RMB341.4 million, or 33.3%, from RMB1,026.7 million in the corresponding period of 2019. This was mainly attributable to: (1) in the first half of the year, benefiting from various measures to reduce cost and increase efficiency, the costs of various products of the Company were well controlled; however, the selling prices of major products decreased significantly as compared with the same period of last year, leading to a significant decrease in the gross profit, where the gross profit of methanol decreased by RMB270.4 million year-on-year, and the gross profit of phosphate fertilisers and compound fertilisers decreased by RMB50.3 million year-on-year; (2) the overhaul of Fudao Phase I as scheduled, which increased overhaul costs by RMB36.1 million; and (3) benefiting from a better cost control and an increase in business volume, the gross profits of businesses such as POM and Basuo Port Labour Service increased to a certain extent.

Other income, other gains and losses

During the reporting period, other income, other gains and losses of the Group amounted to RMB59.0 million in aggregate, representing a decrease of RMB33.2 million, or 36.0%, from RMB92.2 million in the corresponding period of 2019. During the reporting period, the main components of income were: (1) profit from other businesses, such as sales of materials, utilities and methanol trading of Tianye, of RMB19.6 million; (2) investment income from banking wealth management products of RMB17.1 million; (3) special governance subsidies for enterprises in special difficulties of RMB9.8 million received by Tianye; and (4) other various financial subsidies and insurance compensation of RMB12.5 million. The year-on-year decrease in other income, other gains and losses during the reporting period was mainly attributable to: (1) the receipt of subsidies of RMB49.9 million for "Three Supplies and One Property" in the previous period, and there was no such income in the current period; (2) the interest income from wealth management products was presented in other gains and losses when received, and the actual income for the period increased by RMB10.5 million year-on-year; (3) profit from other businesses for the period increased by RMB4.8 million year-on-year; and (4) an increase of RMB1.4 million in others.

Selling and distribution costs

During the reporting period, the Group's selling and distribution costs amounted to RMB224.9 million, representing an increase of RMB33.5 million, or 17.5%, from RMB191.4 million in the corresponding period of 2019. This was primarily attributable to: (1) an increase of RMB28.2 million in direct selling expenses as compared with the corresponding period of last year as a result of the overall increase in sales volume of products and the adjustment of transportation settlement method during the reporting period; (2) an increase of RMB3.4 million in advertising and exhibition expenses for the expansion of business; and (3) a year-on-year increase of RMB1.9 million in depreciation and staff costs.

Administrative expenses

During the reporting period, the Group's administrative expenses amounted to RMB189.9 million, representing a decrease of RMB8.3 million, or 4.2%, from RMB198.2 million for the same period in 2019, which was mainly attributable to the decrease in tax expenses as a result of the corresponding tax reduction and exemption policies for taxes such as property tax and land use tax during the reporting period.

Other expenses

During the reporting period, the Group's other expenses were RMB7.1 million, representing a decrease of RMB8.5 million, or 54.6%, from RMB15.6 million for the same period of 2019, which was primarily attributable to: (1) a year-on-year decrease of RMB5.5 million in external donations; (2) loss on disposal of land in Basuo Port of RMB2.2 million for the previous period, and there was no such expense for the current period; (3) in February of this year, Basuo Port handed over the public transport management to the government, reducing the public security fee by RMB1.2 million compared with the corresponding period of last year; and (4) an increase of RMB0.4 million in other expenses.

Finance income and finance costs

The Group's finance income for the reporting period increased by RMB1.1 million to RMB119.3 million from RMB118.2 million for the same period of 2019, which was primarily attributable to the finance income of RMB1.1 million from the addition of sizable certificate of deposit business of the Group during the reporting period.

The Group's finance costs for the reporting period amounted to RMB38.6 million, representing a decrease of RMB7.0 million from RMB45.6 million for the same period of 2019. This was mainly attributable to the decrease in finance costs resulting from the decrease in external financing amount of CNOOC Huahe and the decrease in finance costs resulting from the decrease in external financing interest rate of Hubei Dayukou.

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

Net foreign exchange loss

During the reporting period, the Group recorded a net exchange gain of RMB0.1 million, representing an increase in gain of RMB2.8 million as compared with a net exchange loss of RMB2.7 million for the same period in 2019. It was mainly the exchange gain recorded in the Company's operating transactions attributable to exchange rate fluctuations.

Share of gains/losses of associates and joint ventures

During the reporting period, the Group's share of profits of associates and joint ventures amounted to RMB0.3 million, representing an increase of RMB0.8 million in profits as compared with the share of losses of associates and joint ventures of RMB0.5 million in 2019, which was mainly attributable to: (1) the recognition of investment loss of RMB1.2 million in the previous period to an associate, United Wealthfert Co., Ltd., which recorded a small profit in the current period; (2) an increase of RMB0.4 million for the period in the investment loss recognised for CBC (Canada) Holding Corp from the corresponding period of last year.

Income tax expense

The Group's income tax expenses for the reporting period were RMB132.8 million, representing a decrease of RMB90.2 million from RMB223.0 million in the same period of 2019. This was mainly attributable to: (1) a year-on-year decrease of RMB89.4 million in current income tax expenses due to the decrease in profit; and (2) a year-on-year decrease of RMB0.8 million in deferred tax due to the effect of impairment or loss in previous years.

Net profit for the period

The Group's profit after tax for the reporting period was RMB299.6 million, representing a decrease of RMB297.8 million from the net profit of RMB597.4 million in the same period of 2019.

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 2020. During the reporting period, the Company distributed the dividend amounted to RMB350.4 million in cash for 2019.

Significant Investment

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

Significant acquisition and disposal of subsidiaries, joint ventures and associates

The Company disposed of its 49% equity interest in Shanxi Hualu Yangpoquan Coal Mining Co., Ltd.* and its 51% equity interest in CNOOC Hualu Shanxi Coal Chemical Co., Ltd.* and the creditor's right of RMB61.47502275 million through listing-for-sale on China Beijing Equity Exchange*.

As disclosed in the announcement of the Company dated 10 June 2020, Hequ Taiyang Coal Industry Co., Ltd. ("**Taiyang Coal**") is the ultimate transferee for such disposal. On 18 June 2020, the Company entered into the Equity Transaction Agreements with Taiyang Coal for a final consideration of RMB739.06502275 million. Other major terms of the Equity Transaction Agreements are: (1) Taiyang Coal shall make the one-off payment of the Final Consideration in cash, excluding the guarantee already paid by it, to the clearing account designated by China Beijing Equity Exchange within five business days after the Equity Transaction Agreements come into effect, (2) if Taiyang Coal failed to make full payment of the Final Consideration within the period as stipulated in the Equity Transaction Agreements, Taiyang Coal shall pay the liquidated damages for default payment. Such liquidated damages shall be calculated as 2‱ of the consideration payable per day during the default payment period. If the payment is overdue for more than 180 days, the Company has the right to terminate the Equity Transaction Agreements and require Taiyang Coal to bear the liability for breach of contract at 30% of the Final Consideration as stipulated in the Equity Transaction Agreements. After each of the Equity Transaction Agreements come into effect, when either party terminates the contract without proper reason, it shall make the one-off payment of liquidated damages to the counterparty at 30% of the Final Consideration as stipulated in the Equity Transaction Agreements, and when causing damages to the counterparty, it shall also be liable for compensation.

As at the date of this announcement, Taiyang Coal, the transferee, had not paid the consideration, excluding the guarantee already paid by it (30% of the Final Consideration of RMB739.06502275 million).

Capital expenditure

During the reporting period, the total capital expenditure of the Group amounted to RMB82.1 million. Among them, RMB71.0 million was for the purchase of equipment and upgrade and improvement projects, RMB6.2 million was for the energy saving and emission reduction projects, RMB3.3 million was for the mid- and downstream and related projects, RMB1.3 million was for the purchase of electronic equipment projects, and RMB0.3 million was for the base infrastructure projects.

Charge on assets

As at 30 June 2020, property, plant and equipment of RMB938.2 million were charged by the Group as collateral for interest-bearing bank borrowings.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit ranking 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 in light of changes in economic conditions. To maintain or realign our capital structure, the Group may raise capital by way of new debts or issue of new shares. As at 30 June 2020, the Group's total interest-bearing liabilities amounted to RMB2.033 billion, of which RMB300 million were fixed-rate liabilities and the remaining were floating-rate liabilities. The gearing ratio of the Group as at 30 June 2020 (calculated as interest-bearing liabilities divided by the sum of total equity and interest bearing liabilities) was 12.1%.

Cash and cash equivalents

During the reporting period, the Group's cash and cash equivalents were RMB824.1 million at the beginning of the period. During the period, net cash inflow from operating activities amounted to RMB220.0 million, net cash inflow from investing activities amounted to RMB379.7 million, net cash outflow from financing activities amounted to RMB420.1 million, and the effect of exchange rate changes on cash and cash equivalents was a decrease of RMB0.6 million. As at 30 June 2020, the Group's cash and cash equivalents amounted to RMB1,003.0 million, which were mainly denominated in 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 2020, the Group had a total of 4,834 employees. The Group has a comprehensive remuneration system and a systematic welfare plan as well as an effective performance appraisal system in place to ensure that the remuneration policy effectively provides incentive to its staff. The Company determines staff remuneration according to their positions, performance and capability.

During the reporting period, the Group strictly complied with the annual training plan, with a total number of attendees of 31,886 persons and a total training time of 115,004 hours.

During the reporting period, the Group organised on-site safety education and three-level safety training for employees at all levels (including contractors), and organised and enrolled in a total of 3,307 network security trainings and external trainings, with a total number of attendees of 49,114 persons and a total training time of 212,938 hours.

Market risk

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

Interest rate risk

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

Foreign exchange risk

The Group's sales revenue was primarily denominated in RMB and secondarily in USD. During the reporting period, the RMB to USD exchange rate ranged between 6.8606 and 7.1316. Fluctuations in the exchange rate between RMB and USD will affect the Group's revenue from the export sales of products and the import of equipment and raw materials.

Inflation and currency risk

According to the National Bureau of Statistics of China, the consumer price index of the PRC increased by 3.85% during the reporting period, which did not have any significant effect on the Group's operating results.

Subsequent events and contingent liabilities

As at 30 June 2020, the Company had neither subsequent events nor contingent liabilities.

Material litigation and arbitration

As at 30 June 2020, the Company had neither material litigation nor arbitration.

4. Sector Outlook

In the second half of 2020, the impact of the epidemic and low oil prices will continue to a certain extent; the recovery of domestic economic activities and the stability maintaining of the domestic and foreign grain will be conducive to increase the demand for fertiliser, and the export of fertiliser will gradually exert its influence on the improvement of domestic market; the domestic methanol-to-olefins industry will maintain a higher operation rate, the operation of the traditional downstream methanol industry (such as formaldehyde, ice acetic acid, MTBE) will effectively increase, and the market expects that the price of methanol will be predominantly riding on the trend of recovery and bottomed out slowly; the price of POM is expected to rebound in stages.

5. Our Key Tasks in the second half of 2020

1. Continue to focus on epidemic prevention and control to ensure safe production;

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

3. Promote the construction of acrylonitrile projects with high quality and efficiency;

4. Give full play to the advantages of marketing coordination, increase efforts to expand marketing as well as sales and promote the launch of e-commerce platform and logistics system;

5. Continue to optimize product mix and increase the proportion of production and sales of value-added products;

6. Continue to promote cost reduction and efficiency improvement, strictly control on expenses and optimize procurement of raw materials; and

7. Strengthen the research effort on the use of natural gas with high content of CO_2 in Hainan and pay close attention to the development opportunities which are in line with the strategy of the Company.

(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 2020. The Group's unaudited interim results for the six months ended 30 June 2020 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 2020, 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**"), except the followings.

On 24 December 2019, Mr. Xia Qinglong resigned from the positions of the chairman of the Board and an executive Director, and Mr. Wang Weimin, an executive Director, was appointed by the Board to perform the duties and responsibilities of the chairman of the Board until the effective date of the appointment of the new chairman of the Board. In view of Mr. Wang Weimin's experience, personal profile and his roles in the Company, the Board considers that it has no unfavorable impact on the business prospects and operational efficiency of the Company that Mr. Wang Weimin, in addition to acting as the CEO and president of the Company, acts as the chairman of the Board. The Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that:

(i) there is sufficient check and balance in the Board as the decision to be made by the Board requires approval by at least a majority of the Directors and our Board has three independent non-executive Directors out of the six Directors, which is in compliance with the Listing Rules;

(ii) Mr. Wang Weimin and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that they act for the benefit and in the best interest of the Company and make decisions for the Company accordingly;

(iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company; and

(iv) the overall strategic and other key business, financial, and operational policies of the Company are made collectively after thorough discussion at both Board and senior management levels.

On 28 May 2020, Mr. Wang Weimin was appointed as the chairman of the Board and resigned as CEO and president of the Company. On 12 August 2020, Mr. Hou Xiaofeng was appointed as CEO and president of the Company. Currently, the Company complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 to 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 2020, 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 2020, 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 2020 Interim Report will be available on the HKExnews and the Company's website in due course.

By Order of the Board
China BlueChemical Ltd.*
Wang Weimin
Chairman

Beijing, the People's Republic of China, 27 August 2020

As at the date of this announcement, the executive Directors of the Company are Mr. Wang Weimin and Mr. Hou Xiaofeng, 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*