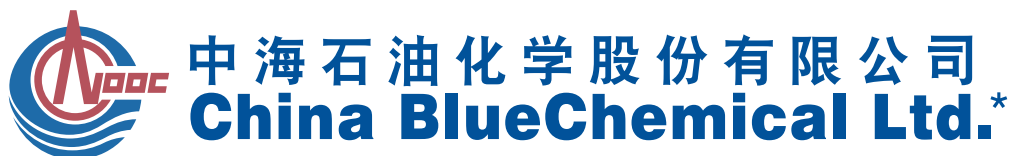


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(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 3983)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

FINANCIAL HIGHLIGHTS

1. Revenue amounted to RMB6,110 million
2. Gross profit amounted to RMB1,445 million
3. Profit attributable to owners of the Company amounted to RMB1,246 million
4. Basic earnings per share was RMB0.27

(I) UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

		Six months ended	
		30 June 2021	30 June 2020
		(Unaudited)	(Unaudited)
	Notes	RMB'000	RMB'000
Revenue	4	6,109,852	4,971,572
Cost of sales		<u>(4,665,038)</u>	<u>(4,286,245)</u>
Gross profit		1,444,814	685,327
Other income	4	59,533	42,511
Other gains and losses	5	1,158	16,525
Selling and distribution costs		(217,820)	(224,952)
Administrative expenses		(229,927)	(189,860)
Other expenses		(18,135)	(7,057)
Change in fair value of financial assets at fair value through profit or loss		5,085	28,774
Finance income		185,904	119,283
Finance costs		(32,395)	(38,596)
Net exchange gains		667	127
Gain on disposal of a subsidiary	16	68,707	—
Gain on disposal of an associate	16	455,103	—
Share of profits/(losses) of joint ventures		99	(133)
Share of profits of associates		<u>908</u>	<u>450</u>
Profit before income tax	6	1,723,701	432,399
Income tax expenses	7	<u>(395,776)</u>	<u>(132,783)</u>
Profit for the period		<u>1,327,925</u>	<u>299,616</u>
Profit for the period attributable to:			
Owners of the Company		1,245,766	309,939
Non-controlling interests		<u>82,159</u>	<u>(10,323)</u>
		<u>1,327,925</u>	<u>299,616</u>
Earnings per share attributable to owners of the Company			
— Basic for the period (RMB per share)	8	<u>0.27</u>	<u>0.07</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

For the six months ended 30 June 2021

	Six months ended	
	30 June	30 June
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit for the period	<u>1,327,925</u>	<u>299,616</u>
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	(227)	557
Share of other comprehensive income of joint ventures	1,149	(1,956)
Share of other comprehensive income of associates	<u>—</u>	<u>55</u>
	922	(1,344)
Total comprehensive income for the period	<u>1,328,847</u>	<u>298,272</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	1,246,688	308,595
Non-controlling interests	<u>82,159</u>	<u>(10,323)</u>
	<u>1,328,847</u>	<u>298,272</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

		30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		6,304,990	6,532,764
Mining rights		131,265	131,862
Prepaid lease payments	9	539,210	546,770
Investment properties		90,782	93,500
Intangible assets		33,519	27,427
Investment in joint ventures	10	224,179	223,550
Investment in associates	11	35,927	35,019
Financial asset at fair value through other comprehensive income		600	600
Deferred tax assets		<u>313,527</u>	<u>470,816</u>
		<u>7,673,999</u>	<u>8,062,308</u>
CURRENT ASSETS			
Inventories		1,170,337	1,001,505
Trade receivables	12	395,340	25,082
Bills receivable	13	215,313	610,794
Contract assets		18,628	13,157
Prepayments, deposits and other receivables		1,127,826	426,519
Financial assets at fair value through profit or loss		705,085	—
VAT recoverable		382,878	234,980
Pledged bank deposits		7,350	7,350
Time deposits with original maturity over three months		8,200,000	7,400,000
Cash and cash equivalents		<u>766,840</u>	<u>2,765,441</u>
		<u>12,989,597</u>	<u>12,484,828</u>
A disposal group and a non-current asset classified as held for sale		<u>—</u>	<u>200,632</u>
		<u>12,989,597</u>	<u>12,685,460</u>
TOTAL ASSETS		<u><u>20,663,596</u></u>	<u><u>20,747,768</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2021

		30 June 2021	31 December 2020
		(Unaudited)	(Audited)
	<i>Notes</i>	RMB'000	RMB'000
EQUITY			
CAPITAL AND RESERVES			
Issued capital		4,610,000	4,610,000
Reserves		10,967,650	9,720,962
Proposed dividends	<i>14</i>	<u>—</u>	<u>368,800</u>
Equity attributable to owners of the Company		15,577,650	14,699,762
Non-controlling interests		<u>1,028,546</u>	<u>928,375</u>
TOTAL EQUITY		<u>16,606,196</u>	<u>15,628,137</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Benefits liability		25,438	31,274
Interest-bearing bank borrowings		—	10,000
Lease liabilities		17,120	21,636
Deferred tax liabilities		17,176	14,456
Deferred revenue		118,903	123,474
Other long-term liabilities		<u>16,271</u>	<u>16,080</u>
		<u>194,908</u>	<u>216,920</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*At 30 June 2021*

		30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
	<i>Notes</i>		
CURRENT LIABILITIES			
Trade payables	15	1,019,328	740,413
Contract liabilities		972,574	677,766
Other payables and accruals		761,117	1,456,746
Interest-bearing bank borrowings		921,113	1,940,971
Lease liabilities		9,078	5,126
Income tax payable		179,282	79,174
		<u>3,862,492</u>	<u>4,900,196</u>
Liabilities associated with a disposal group classified as held for sale		<u>—</u>	<u>2,515</u>
		<u>3,862,492</u>	<u>4,902,711</u>
TOTAL LIABILITIES		<u>4,057,400</u>	<u>5,119,631</u>
TOTAL EQUITY AND LIABILITIES		<u>20,663,596</u>	<u>20,747,768</u>
NET CURRENT ASSETS		<u>9,127,105</u>	<u>7,782,749</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>16,801,104</u>	<u>15,845,057</u>
NET ASSETS		<u>16,606,196</u>	<u>15,628,137</u>

(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 (“**PRC**”) and the registered office of the Company is located at No. 3, Park Third Road, Basuo Town, Dongfang City, Hainan Province, PRC. The ultimate holding company of the Company is China National Offshore Oil Corporation (“**CNOOC**”), a state-owned enterprise established in the PRC.

The Company’s ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and the significant judgments made by the management in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2020.

The IASB has issued new or amended International Financial Reporting Standard (“**IFRS**”) that is first effective on 1 January 2021 and is therefore applicable for the current accounting period of the Group.

Amendments to IFRS 9, IAS 39, IFRS 7, Interest Rate Benchmark Reform — Phase 2
IFRS 14 and IFRS 16

The new or amended IFRS 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, other gains and losses, other expenses, net exchange gains, change in fair value of financial assets at fair value through profit or loss (“FVTPL”), gains on disposal of a subsidiary and an associate, share of profits/(losses) of 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	Phosphorus and compound fertiliser	Methanol	Others	Elimination	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Six months ended 30 June 2021						
(Unaudited)						
Segment revenue:						
Sales to external customers	2,016,291	1,475,228	1,277,245	1,341,088	—	6,109,852
Inter-segment sales	<u>—</u>	<u>—</u>	<u>—</u>	<u>320,281</u>	<u>(320,281)</u>	<u>—</u>
Total	<u>2,016,291</u>	<u>1,475,228</u>	<u>1,277,245</u>	<u>1,661,369</u>	<u>(320,281)</u>	<u>6,109,852</u>
Segment results:						
Segment profit/(loss) before income tax	<u>490,688</u>	<u>203,344</u>	<u>376,292</u>	<u>(13,724)</u>	<u>—</u>	<u>1,056,600</u>
Interest and unallocated income						192,147
Corporate and other unallocated expenses						(50,530)
Net exchange gains						667
Share of profits of joint ventures						99
Share of profits of associates						908
Gain on disposal of a subsidiary						68,707
Gain on disposal of an associate						<u>455,103</u>
Profit before income tax						<u>1,723,701</u>

	Urea	Phosphorus and compound fertiliser	Methanol	Others	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended 30 June 2020						
(Unaudited)						
Segment revenue:						
Sales to external customers	2,096,668	875,294	1,095,573	904,037	—	4,971,572
Inter-segment sales	<u>—</u>	<u>—</u>	<u>—</u>	<u>197,728</u>	<u>(197,728)</u>	<u>—</u>
Total	<u>2,096,668</u>	<u>875,294</u>	<u>1,095,573</u>	<u>1,101,765</u>	<u>(197,728)</u>	<u>4,971,572</u>
Segment results:						
Segment profit/(loss) before income tax	<u>338,419</u>	<u>(6,129)</u>	<u>20,981</u>	<u>(40,245)</u>	<u>—</u>	<u>313,026</u>
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						<u>450</u>
Profit before income tax						<u>432,399</u>

4. REVENUE AND OTHER INCOME

An analysis of revenue and other income is as follows:

	Six months ended	
	30 June 2021 (Unaudited) RMB'000	30 June 2020 (Unaudited) RMB'000
Revenue		
Sale of goods, recognised at a point in time*	5,933,779	4,758,028
Rendering of services, recognised overtime*	<u>176,073</u>	<u>213,544</u>
	<u>6,109,852</u>	<u>4,971,572</u>
Other income		
Income from sale of other materials, recognised at a point in time*	7,465	10,037
(Loss)/income from rendering of other services, recognised overtime*	(253)	10,585
Gross rental income	1,392	2,962
Government grants	20,789	17,760
Others	<u>30,140</u>	<u>1,167</u>
	<u>59,533</u>	<u>42,511</u>

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

5. OTHER GAINS AND LOSSES

	Six months ended	
	30 June 2021 (Unaudited) RMB'000	30 June 2020 (Unaudited) RMB'000
Gain on disposal of financial assets at FVTPL	—	17,105
Reversal of impairment loss on other receivables	2,058	—
Loss on disposal of items of property, plant and equipment	<u>(900)</u>	<u>(580)</u>
	<u>1,158</u>	<u>16,525</u>

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 2021 (Unaudited) RMB'000	30 June 2020 (Unaudited) RMB'000
Cost of inventories sold	4,528,615	4,111,275
Cost of services provided	<u>136,423</u>	<u>174,970</u>
Cost of sales recognised as expenses	<u>4,665,038</u>	<u>4,286,245</u>
Depreciation and amortisation:		
Depreciation of property, plant and equipment	265,167	315,198
Depreciation of right-of-use assets included in:		
— Buildings	895	804
— Plant and machinery	1,393	1,963
— Prepaid lease payments	7,560	5,681
— Investment properties	2,718	2,756
Amortisation of mining rights	597	779
Amortisation of intangible assets	<u>3,533</u>	<u>3,347</u>
	<u>281,863</u>	<u>330,528</u>

7. INCOME TAX EXPENSES

	Six months ended	
	30 June 2021 (Unaudited) RMB'000	30 June 2020 (Unaudited) RMB'000
Current tax		
PRC Enterprise Income Tax	229,425	120,531
Under-provision in prior year	<u>6,342</u>	<u>2,440</u>
	235,767	122,971
Deferred tax	<u>160,009</u>	<u>9,812</u>
Total income tax expenses	<u>395,776</u>	<u>132,783</u>

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 2021 and 2020.

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 2021 (Unaudited) RMB’000	30 June 2020 (Unaudited) RMB’000
Profit before tax	<u>1,723,701</u>	<u>432,399</u>
Tax at the statutory tax rate of 25%	430,925	108,100
Tax effect of concessionary tax rate	(21,527)	(266)
Tax effect of share of profits of joint ventures and associates	(252)	(79)
Tax effect of revenue not taxable for tax purposes	(16,188)	—
Tax effect of expenses not deductible for tax purposes	6,356	1,245
Tax effect of tax losses not recognised	38,390	28,625
Tax effect of deductible temporary differences not recognised	3,956	—
Utilisation of tax losses not recognised	(52,226)	—
Utilisation of deductible temporary differences not recognised	—	(7,282)
Under-provision in respect of prior years	<u>6,342</u>	<u>2,440</u>
Income tax expenses	<u><u>395,776</u></u>	<u><u>132,783</u></u>
The Group’s effective income tax rate	<u><u>23%</u></u>	<u><u>31%</u></u>

8. EARNINGS PER SHARE

	Six months ended	
	30 June 2021 (Unaudited) RMB'000	30 June 2020 (Unaudited) RMB'000
Earnings		
Profit for the period attributable to owners of the Company	<u>1,245,766</u>	<u>309,939</u>

	Six months ended	
	30 June 2021 '000	30 June 2020 '000
Shares		
Number of ordinary shares	<u>4,610,000</u>	<u>4,610,000</u>

The Group had no potential dilutive ordinary shares in issue during the six months ended 30 June 2021 and 2020.

9. PREPAID LEASE PAYMENTS

The Group did not acquire land use right during the six months ended 30 June 2021 and 2020.

10. INVESTMENT IN JOINT VENTURES

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
	Cost of investment in joint ventures	265,299
Share of post-acquisition profits and other comprehensive income, net of dividends received	<u>(41,120)</u>	<u>(41,749)</u>
	<u>224,179</u>	<u>223,550</u>

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

Name of the entity	Place and date of incorporation and operation	Registered capital '000	Direct Indirect	Percentage of equity interest attributable to the Company		Principal activities
				30 June 2021	31 December 2020	
				%	%	
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 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 —	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 5 June 1981	RMB5,000	Direct Indirect	— 36.56	— 36.56	Provision of overseas shipping services

11. INVESTMENT IN ASSOCIATES

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Cost of investment in associates	33,031	670,031
Share of post-acquisition profits and other comprehensive income, net of dividends received	2,896	(453,115)
Transfer to a non-current asset classified as held for sale	<u>—</u>	<u>(181,897)</u>
	<u>35,927</u>	<u>35,019</u>

Particulars of the associates of the Group are set out as follows:

Name of the entity	Place and date of incorporation and operation	Registered capital '000		Percentage of equity interest attributable to the Company		Principal activities
				30 June 2021 %	31 December 2020 %	
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 —	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 16 October 2000	RMB1,800	Direct Indirect	— 36.56	— 36.56	Provision of overseas shipping services
內蒙古鴻豐包裝有限責任公司 (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 disposed during the period. Details of the transaction are disclosed in Note 16 to the condensed consolidated financial statements.

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 2021 (Unaudited) RMB’000	31 December 2020 (Audited) RMB’000
Trade receivables	395,489	25,844
Less: expected credit losses (“ECLs”)	<u>(149)</u>	<u>(762)</u>
	<u>395,340</u>	<u>25,082</u>

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

	30 June 2021 (Unaudited) RMB’000	31 December 2020 (Audited) RMB’000
Within six months	395,340	24,992
Over six months but within one year	<u>—</u>	<u>90</u>
	<u>395,340</u>	<u>25,082</u>

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

	30 June 2021 (Unaudited) RMB’000	31 December 2020 (Audited) RMB’000
Balance at beginning of the period/year	762	762
Written off during the period/year	<u>(613)</u>	<u>—</u>
Balance at end of the period/year	<u>149</u>	<u>762</u>

The ECLs are assessed collectively for receivables that were neither past due nor impaired and individually for impaired trade receivables with an aggregate carrying amount of RMB149,000 (31 December 2020: RMB762,000).

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

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Neither past due nor impaired	<u>395,340</u>	<u>25,082</u>

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 2021, the amounts due from the ultimate holding company, its subsidiaries and associates (other than the ultimate holding company collectively referred to as the “CNOOC group companies”) and associates included in the above trade receivables, which are unsecured, non-interest-bearing and repayable on similar credit terms to those offered to the major customers of the Group, can be analysis as follow:

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
CNOOC group companies	9,623	5,632
Associates	<u>1,715</u>	<u>3,206</u>
	<u>11,338</u>	<u>8,838</u>

13. BILLS RECEIVABLE

The bills receivable of the Group as at 30 June 2021 and 31 December 2020 are all mature within twelve months.

As at 30 June 2021, the Group has transferred bills receivables having maturity less than twelve months from the reporting dates to its suppliers to settle its payables through endorsing the bills to its suppliers amounted to RMB189,194,000 (31 December 2020: RMB168,086,000). 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 2021, 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 RMB189,194,000 (31 December 2020: RMB168,086,000).

The fair value of bills receivable are close to their carrying amounts given all bills receivable will mature within twelve 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 months ended 30 June 2021, a final dividend of RMB0.080 per share in respect of the year ended 31 December 2020 (six months ended 30 June 2020: a final dividend of RMB0.076 per share in respect of the year ended 31 December 2019) was declared and paid to the owners of the Company. The dividend declared and paid during the six months ended 30 June 2021 amounted to RMB368,800,000 (six months ended 30 June 2020: RMB350,360,000).

The board of directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: RMBNil).

15. TRADE PAYABLES

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

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

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Within six months	810,163	721,388
Over six months but within one year	201,080	8,101
Over one year but within two years	5,617	7,018
Over two years but within three years	2,080	1,560
Over three years	388	2,346
	<u>1,019,328</u>	<u>740,413</u>

As at 30 June 2021, the amounts due to CNOOC group companies and associates included in the above, which are unsecured, non-interest bearing and have no fixed repayment terms, can be analysed as follows:

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
CNOOC group companies	134	364,102
Associates	—	1,413
	<u>134</u>	<u>365,515</u>

16. DISPOSAL OF A SUBSIDIARY AND AN ASSOCIATE

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 Shanxi Coal Chemical Co., Ltd. (“**CNOOC Hualu**”) which under other segment; and (ii) 49% of equity interest in an associate, Yangpoquan Coal, at considerations of RMB102,066,000 and RMB637,000,000 respectively. The disposals were completed on 21 January 2021.

(a) Disposal of a subsidiary

The net assets of CNOOC Hualu at the date of disposal were as follow:

	<i>RMB’000</i> (Unaudited)
Net assets disposed of:	
Property, plant and equipment	3,293
Intangible assets	9,237
Cash and cash equivalents	4
Prepayments, deposits and other receivables	6,153
Inventories	48
Other payables and accruals	(206)
Interest-bearing bank borrowings	(182)
Deferred tax liabilities	<u>(3,000)</u>
	15,347
Non-controlling interests	18,012
Consideration	<u>(102,066)</u>
	(68,707)
Gain on disposal of a subsidiary	<u><u>(68,707)</u></u>
Satisfied by:	
Deposit received	82,066
Cash consideration received during the period	20,000
Cash and cash equivalents disposed of	<u>(4)</u>
	102,062
Net cash inflow arising on disposal	<u><u>102,062</u></u>

(b) Disposal of an associate

	<i>RMB'000</i> (Unaudited)
Investment in an associate	181,897
Consideration	<u>(637,000)</u>
Gain on disposal of an associate	<u><u>(455,103)</u></u>
Net cash inflow arising on disposal satisfied by:	
Deposit received	<u><u>637,000</u></u>

(III) MANAGEMENT DISCUSSION AND ANALYSIS

1. Sector Review

Chemical fertiliser industry

In 2021, the first year of the “14th Five-Year Plan”, the PRC government continues to focus on agriculture, rural areas and farmers. The structural reforms on the agricultural supply side have been intensified, and the government has emphasized that the sown area of grain should remain stable with an output of more than 1.3 trillion catties. At the same time, China continues to promote fertilizer reduction and efficiency enhancement and vigorously promote environmental protection. The supply side of the chemical fertiliser industry continues to shrink and the clearance of backward and small production capacity is accelerated. The relationship between supply and demand in the fertilizer industry gradually tends to balance.

(I) *Urea*

Due to the tight supply of natural gas since the heating season began in the fourth quarter of last year, almost all gas-originated urea companies halted production, resulting in a significant drop in industry operation rate. Coupled with the demand during fertilizer preparation period in the domestic spring farming, the imbalance of supply and demand led to a rapid increase in domestic urea prices from January to February. In March, with the release of the national reserves of natural gas, the supply was relatively sufficient and the market showed stable trend. From May to June, with release of industrial and agricultural demand and driven by export, the market supply became tight again and price of urea surged rapidly.

In the first quarter, the highest urea market price exceeded RMB2,100 per tonne, while the urea market fluctuated slightly in the second quarter. The urea market continued to heat from May to June, during which the mainstream high-end price rose to a record high of RMB2,900 per tonne.

(II) *Phosphate fertilisers*

In the first half of the year, the overall phosphate fertiliser market maintained an upward trend. From January to February, affected by factors including rising raw material costs, the shutdown of the Southwest plant, tight transportation and deficient supply, domestic DAP quotations remained on the rise, with an increment of nearly RMB700 per tonne. Market supply and transportation gradually recovered and prices declined slightly from March to April as a result of continuous release of national reserves to mitigate the tight market supply. From May to June, with the ending of fertiliser using in the domestic spring farming, the focus of enterprises shifted to exports. The international market continued to improve, which led to higher prices.

In the first half of the year, the prices of MAP and DAP both rose sharply. The mainstream ex-factory price of MAP at the beginning of the year was approximately RMB2,050 per tonne and approximately RMB2,420 for that of DAP. By the end of June, the prices reached RMB3,100 per tonne and RMB3,400 per tonne, respectively, representing an increase of around RMB1,000 for each.

Chemical industry

In the first half of 2021, due to the control of the epidemic, the recovery of demand and the continuous increase in crude oil prices, both the supply and demand of the chemical industry experienced growth and market prices fluctuated with an upward trend. Although there was a downward adjustment in the later period, the overall price level was relatively good and the overall business situation of the industry continued to improve.

(I) *Methanol*

In the first half of the year, the new domestic production capacity was approximately 5.75 million tonnes and the domestic production volume of methanol increased by 3.93 million tonnes or approximately 12.7% from the corresponding period of last year to approximately 34.7 million tonnes. The import volume was approximately 5.85 million tonnes, representing a decrease of 130,000 tonnes or 2.2% over the corresponding period of last year.

In the first quarter, the methanol market price fluctuated with an upward trend. The market price in Southern China ranged from RMB2,300 to RMB2,660 per tonne, and the methanol price range in Inner Mongolia was RMB1,650 to RMB2,100 per tonne. In the second quarter, the increase in supply was slightly greater than that of the demand. The price first rose and then fell. The market price in Southern China fluctuated in the range of RMB2,430 to RMB3,000 per tonne and the methanol price in Inner Mongolia ranged from RMB1,900 to RMB2,380 per tonne.

(II) *POM*

In the first half of the year, POM production recorded good profit and the production enterprises were highly motivated to resume operation under overcapacity. In the first half of 2021, the output showed an upward trend compared with the same period of last year, up 14.8% from the first half of 2020.

In the first half of 2021, the domestic POM market has been on the rise and the overall POM market was at a significantly higher level than in 2020. The overall performance of the POM market in the first quarter was strong, with an average product price of RMB15,767 per tonne. In the second quarter, domestic manufacturers overhauled and the supply was reduced sharply. The overall market was relatively strong and volatile, with an average product price of RMB17,000 per tonne.

2. Business Review

During the reporting period, the Company enhanced its management and control on production and operation, and its major production facilities were running smoothly and frequently achieved good results. The Fudao Phase II urea plant and the Hainan Phase I methanol plant achieved a continuous operation period of 629 days and 674 days, respectively, both breaking the national record of long-term operation. At the same time, the scheduled maintenance of nine sets of plants have been carried out in an orderly manner, laying a solid foundation for stable operations afterwards. In the first half of the year, the Company produced 1,004 thousand tonnes of urea, 602 thousand tonnes of methanol, 510 thousand tonnes of phosphate fertilisers and compound fertilisers and 17 thousand tons of POM.

In the first half of the year, the Company fully seized the advantageous moment when prices of chemical fertilisers and chemical products rise, effectively improved the quality and scale of self-operated business, intensified efforts to develop end-users, and fully tapped the brand and quality premium capabilities of fertiliser products. The Company sold 1,024 thousand tonnes of urea, 578 thousand tonnes of methanol, 554 thousand tonnes of phosphate fertilisers and compound fertilisers and 17 thousand tonnes of POM. The Company continued to optimize its product structure and the sales volume of value-added products hit a record high of 233 thousand tonnes. Grasping the positive international market, the Company exported approximately 164 thousand tonnes of urea and approximately 82 thousand tonnes of DAP in the first half of the year.

The construction of the key acrylonitrile project proceeded in an orderly manner and in the same progress as planned. The Company have obtained operating licenses for hazardous chemicals over pre-sales of acrylonitrile product. The dispute over the Yangpoquan project in Shanxi has been completely resolved, and all investments plus existing debts were recovered.

In the first half of the year, the Company actively promoted the “Dual Carbon Action Plan” and completed the compilation of the “Report of Low Carbon Action Plan”. The Company also organized and carried out researches over the strategy to reduce its carbon emission under the background of carbon peak, and promoted the implementation of energy conservation and emission reduction projects.

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					
	2021			2020		
Chemical fertilisers	Production volume (tonnes)	Sales volume (tonnes)	Utilisation rate (%)	Production volume (tonnes)	Sales volume (tonnes)	Utilisation rate (%)
Urea						
Fudao Phase I	306,471	290,823	117.9	273,298	259,779	105.1
Fudao Phase II	380,834	393,886	95.2	450,303	425,799	112.6
CNOOC Tianye	—	284	0.0	318,133	287,329	122.4
CNOOC Huahe	<u>317,158</u>	<u>338,780</u>	<u>122.0</u>	<u>339,109</u>	<u>356,458</u>	<u>130.4</u>
Group total	<u>1,004,463</u>	<u>1,023,773</u>	<u>85.1</u>	<u>1,380,842</u>	<u>1,329,366</u>	<u>117.0</u>
Phosphate fertilisers and compound fertilisers						
DYK MAP	35,263	32,803	47.0	24,591	31,587	32.8
DYK DAP Phase I (Note 1)	152,061	171,478	86.9	140,065	125,043	80.0
DYK DAP Phase II	<u>322,712</u>	<u>349,534</u>	<u>129.1</u>	<u>247,134</u>	<u>265,562</u>	<u>98.9</u>
Group total	<u>510,036</u>	<u>553,815</u>	<u>102.0</u>	<u>411,790</u>	<u>422,192</u>	<u>82.4</u>
Chemical products						
Methanol						
Hainan Phase I	240,040	238,168	80.0	319,158	281,956	106.4
Hainan Phase II	362,416	339,884	90.6	431,285	410,052	107.8
CNOOC Tianye	<u>—</u>	<u>—</u>	<u>0.0</u>	<u>55,255</u>	<u>45,104</u>	<u>55.3</u>
Group total	<u>602,456</u>	<u>578,052</u>	<u>75.3</u>	<u>805,698</u>	<u>737,112</u>	<u>100.7</u>
POM						
CNOOC Tianye POM	<u>17,375</u>	<u>17,410</u>	<u>86.9</u>	<u>16,639</u>	<u>15,127</u>	<u>83.2</u>
Group total	<u>17,375</u>	<u>17,410</u>	<u>86.9</u>	<u>16,639</u>	<u>15,127</u>	<u>83.2</u>

Note 1: In the first half of 2021, the DYK DAP Phase I Plant produced 27,835 tonnes of DAP and 124,226 tonnes of compound fertilisers, amounting to 152,061 tonnes in total, and sold 8,035 tonnes of DAP and 163,443 tonnes of compound fertilisers, amounting to 171,478 tonnes in total. 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.

BB fertilisers

In the first half of 2021, the Group produced a total of 19,101 tonnes of BB fertilisers with a sales volume of 18,884 tonnes.

3. Financial Review

Revenue and gross profit

During the reporting period, the Group's revenue was RMB6,109.9 million, representing an increase of RMB1,138.3 million, or 22.9%, from RMB4,971.6 million during the same period of 2020. This was primarily attributable to the significant year-on-year increase of selling prices of methanol, urea and phosphate fertilisers and compound fertilisers of the Group.

During the reporting period, the Group's external revenue from urea was RMB2,016.3 million, representing a decrease of RMB80.4 million, or 3.8%, from RMB2,096.7 million during the same period of 2020. This was primarily attributable to: (1) a decrease of 305,593 tonnes in the sales volume of urea, leading to a decrease of RMB482.0 million in revenue; and (2) an increase of RMB392.3 per tonne in the selling price of urea, leading to an increase of RMB401.6 million in revenue, which has partially offset the above decrease.

During the reporting period, the Group's external revenue from phosphate fertilisers and compound fertilisers was RMB1,475.2 million, representing an increase of RMB599.9 million, or 68.5%, from RMB875.3 million during the same period of 2020. This was primarily attributable to: (1) an increase of RMB589.9 per tonne in the selling price of phosphate fertilisers and compound fertilisers, leading to an increase of RMB326.7 million in revenue; and (2) an increase of 131,760 tonnes in the sales volume of phosphate fertilisers and compound fertilisers, leading to an increase of RMB273.2 million in revenue.

During the reporting period, the Group's external revenue from methanol was RMB1,277.2 million, representing an increase of RMB181.6 million, or 16.6%, from RMB1,095.6 million during the same period of 2020. This was primarily attributable to: (1) an increase of RMB723.3 per tonne in the selling price of methanol, leading to an increase of RMB418.0 million in revenue; and (2) a decrease of 159,059 tonnes in the sales volume of methanol, leading to a decrease of RMB236.4 million in revenue, which has partially offset the above increase.

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 liquid ammonia) amounted to RMB1,341.2 million, representing an increase of RMB437.2 million, or 48.4%, from RMB904.0 million during the same period of 2020. This was mainly attributable to: (1) an increase of RMB4,093.7 in price and an increase of 2,283 tonnes in sales volume of POM, over the same period of 2020, leading to an increase of RMB86.5 million in revenue; (2) an increase in the trading volume of the Company and an increase of RMB366.4 million in the

revenue of trading business during the reporting period as compared with the same period of last year, along with the gradual improvement of the marketing platforms; (3) a decrease in revenue of RMB37.5 million due to the throughput of Basuo Port; (4) an increase of RMB4.7 million in revenue due to the increase in the sales volume and the price of BB fertilisers; (5) an increase of RMB17.0 million in revenue from selling liquid ammonia, formaldehyde and carbon dioxide, etc.

During the reporting period, the Group's gross profit was RMB1,444.8 million, representing an increase of RMB759.5 million, or 110.8%, from RMB685.3 million during the same period of 2020. This was mainly attributable to: (1) the substantial increase in urea prices in 2021 offset the impact of reduced production, resulting in an increase of RMB89.8 million in gross profit of urea; (2) the substantial increase in methanol prices in 2021 offset the impact of reduced production, resulting in an increase of RMB336.5 million in gross profit of methanol; (3) the substantial increase in the prices of phosphate fertilisers and compound fertilisers and the increase in the sales volume led to an increase in gross profit of RMB226.1 million; (4) the substantial increase in the price of POM and the increase in its sales volume led to an increase in gross profit of RMB67.2 million; (5) the gross profit of other segments increased by RMB39.9 million.

Other income, other gains and losses

During the reporting period, other income of the Group amounted to RMB59.5 million, representing an increase of RMB17.0 million, or 40%, from RMB42.5 million of other income during the same period of 2020. This was primarily attributable to the penalty interest of RMB18.3 million received from Hualu Yangpoquan during the first half of this year.

During the reporting period, other gains and losses of the Group amounted to RMB1.2 million, representing a decrease of RMB15.3 million, or 92.7%, from RMB16.5 million of other gains and losses during the same period of 2020. This was primarily attributable to: (1) there was no maturity gains from wealth management by middle of this year, while gains from wealth management amounted to RMB17.1 million during the same period of last year; and (2) the reversal of provision for bad debts of RMB2.1 million from Hualu Yangpoquan during the first half of this year, which partially offset the above decrease.

Selling and distribution costs

During the reporting period, the Group's selling and distribution costs amounted to RMB217.8 million, representing a decrease of RMB7.1 million from RMB224.9 million of selling and distribution costs during the same period of 2020. This was primarily attributable to: (1) the overall decrease in the sales volume during the first half of this year and a year-on-year decrease of RMB13.2 million in direct selling expenses such as packaging, warehousing, assembling and port miscellaneous expenses; and (2) a year-on-year increase of RMB6.1 million in expense of sales agencies.

Administrative expenses

During the reporting period, the Group's administrative expenses amounted to RMB229.9 million, representing an increase of RMB40.0 million, or 21.1%, from RMB189.9 million of administrative expenses during the same period in 2020, which was mainly attributable to: (1) an increase of RMB40.8 million in staff costs; (2) a year-on-year decrease of RMB4.6 million in utilities, property fees, communication fees and rental fees due to the cost reduction and efficiency enhancement measures; (3) a year-on-year increase of RMB4.0 million in travelling expenses and consulting fees.

Other expenses

During the reporting period, the Group's other expenses were RMB18.1 million, representing an increase of RMB11 million, or 154.9%, from RMB7.1 million of the other expenses during the same period of 2020, which was primarily attributable to the increase of RMB10.8 million in bank charges as a result of the early repayment of financial lease facility from CNOOC Huahe.

Finance income and finance costs

During the reporting period, the Group's finance income amounted to RMB185.9 million (among which finance income from sizable certificate of deposit business amounted to RMB165.3 million), representing an increase of RMB66.6 million compared with RMB119.3 million (among which finance income from sizable certificate of deposit business amounted to RMB113.3 million) during the same period of 2020.

During the reporting period, the Group's finance costs amounted to RMB32.4 million, representing a decrease of RMB6.2 million from RMB38.6 million for the same period of 2020. This was mainly attributable to the decrease in finance costs resulting from the early repayment of finance lease facility of CNOOC Huahe and the decrease in undrawn finance lease facility of Hubei Dayukou.

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

Net exchange gains

During the reporting period, the Group recorded a net exchange gain of RMB0.7 million, representing an increase in gain of RMB0.6 million as compared with a net exchange gain of RMB0.1 million during the same period in 2020. It was mainly the exchange gain recorded in the Company's operating transactions attributable to exchange rate fluctuations.

Share of net profits/losses of associates and joint ventures

During the reporting period, the Group's share of profits of associates and joint ventures amounted to RMB1 million, representing an increase of RMB0.7 million in profits as compared with the share of profit of associates and joint ventures of RMB0.3 million during the same period of 2020. This was mainly attributable to: (1) an increase of RMB0.2 million for the first half of this year in the investment income recognised for CBC (Canada) Holding Corp. as compared with the same period of last year; (2) an increase of RMB1.1 million for the first half of this year in the investment income recognised for United Wealthfert Co., Ltd.; and (3) a decrease of RMB0.6 million for the year in the investment income recognised for Inner Mongolia Hong Feng Packaging Co., Ltd.

Income tax expenses

During the reporting period, the Group's income tax expenses were RMB395.8 million, representing an increase of RMB263 million from RMB132.8 million during the same period of 2020. This was mainly attributable to: (1) a year-on-year increase of profit before income tax of the Group, representing a corresponding increase of RMB112.1 million of the current income tax expenses; (2) an increase of RMB14.5 million in reversal of deferred income tax expenses provided by subordinate companies including CNOOC Huahe, DYK, CNOOC Tianye, Fudao, Guangxi Fudao and Jiantao (建滔) in the previous years; and (3) a reversal of RMB136.4 million of deferred income tax expenses due to the disposal of CNOOC Hualu Shanxi Coal Chemical Co., Ltd. (中海油華鹿山西煤炭化工有限公司) and Shanxi Hualu Yangpoquan Coal Mining Co., Ltd. (山西華鹿陽坡泉煤礦有限公司).

Net profit for the period

During the reporting period, the Group's net profit was RMB1,327.9 million, representing an increase of RMB1,028.3 million as compared with the net profit of RMB299.6 million during the same period of 2020.

Dividends

The board of directors of the Company (the “**Board**”) did not recommend the payment of an interim dividend for the six months period ended 30 June 2021. During the reporting period, the Company distributed the dividend amounted to RMB368.8 million in cash for 2020.

Capital expenditure

During the reporting period, the total capital expenditure of the Group amounted to RMB466.5 million. Among them, RMB22.9 million was for scientific research (capitalized), RMB410.1 million was for the mid-downstream and ancillary projects, RMB9.4 million was for the purchase of equipment and upgrading and improvement projects, RMB21.8 million

was for the energy saving and emission reduction projects, RMB1.0 million was for the information technology projects, and RMB1.3 million was for the purchase of electronic equipment projects.

Key projects mainly include: (1) RMB389.7 million for Acrylonitrile Project; (2) RMB18.3 million for DYK Chupi Mountain Phosphogypsum Dry Slag Yard Project (Phase I); (3) RMB18.8 million for CNOOC Tianye Drainage Upgrade and Renovation Project.

Pledge of assets

As of 30 June 2021, no property, plant and equipment was charged by the Group as collateral for bank borrowings.

Capital management

The primary objective of the Group's capital management is to maintain a strong credit ranking and sound capital structure in order to safeguard its normal production and 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 the capital structure, the Group may raise capital by way of new debts or issuance of new shares. As of 30 June 2021, the Group's total interest-bearing liabilities amounted to RMB921 million, of which RMB300 million were fixed-rate liabilities and the remaining were floating-rate liabilities. The gearing ratio of the Group as of 30 June 2021 (calculated as interest-bearing liabilities divided by the sum of total equity and interest bearing liabilities) was 5.4%.

Cash and cash equivalents

At the beginning of 2021, the Group's cash and cash equivalents were RMB2,765.4 million. During the first half of 2021, net cash inflow from operating activities amounted to RMB1,114.4 million, net cash outflow from investing activities amounted to RMB1,685.8 million, net cash outflow from financing activities amounted to RMB1,453.4 million, and the exchange rate changes resulted in an increase of RMB26.2 million in cash and cash equivalents. As of 30 June 2021, the Group's cash and cash equivalents amounted to RMB766.8 million. The Group maintained sufficient working capital to satisfy the fund requirement for its daily operation and future development.

Human resources and training

As of 30 June 2021, the Group had a total of 4,667 employees, and the remunerations and allowances of employees in the first half of 2021 amounted to RMB339.8 million in aggregate. 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 Company strictly followed the annual training plan, with a total of 41,281 enrolments and training time of 139,388 hours. Safety trainings include on-site safety education and three-level safety training (including contractors). The Company also organized and enrolled in a total of 4,656 network security trainings and external trainings, with a total of 62,436 enrolments and training time of 165,768 hours.

Market risks

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

Commodity price risk

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

Interest rate risk

The 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 6.3572 and 6.5713. 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 0.5% during the reporting period, which did not have any significant effect on the Group's operating results.

Subsequent events

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

Contingent liabilities

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

Material litigation and arbitration

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

Significant acquisition and disposal of subsidiaries and associates of the Company

In respect of the transfer of the 51% equity interest and the creditor's right of RMB61.47502275 million in CNOOC Hualu Shanxi Coal Chemical Co., Ltd. (中海油華鹿山西煤炭化工有限公司) and the 49% equity interests in Shanxi Hualu Yangpoquan Coal Mining Co., Ltd. (山西華鹿陽坡泉煤礦有限公司) through listing-for-sales, the transaction was completed in the reporting period.

4. Sector Outlook

In the second half of 2021, although the urea market will face pressure of downward adjustment in the short term, it, with strong support, is expected to see high market price and less fluctuation. In the short and medium term, the supply and demand of phosphate fertilisers will still maintain a tight balance, and the market will be subject to slight adjustments along with seasonal changes. Underpinned by positive macroeconomic expectations and robust oil prices, the methanol market is expected to be characterized by relatively strong price with fluctuation and adjustments, depending on whether the growth of oil prices would continue. For POM, focus should be casted on the impact of import on the supply of POM and downstream demand recovery.

5. Our Key Tasks in the second half of 2021

1. To strictly implement the normalization requirements for epidemic prevention and control to ensure safe production;
2. To improve fine operation and lean management to realize the safe and stable operation of each production plant;
3. To continuously improve the integrity management level of equipment and facilities and increase the management of contractors to facilitate cost reduction and efficiency enhancement;
4. To increase efforts on development of trading market for fertiliser and chemical products to strengthen the ability to increase the efficiency of selling and trading and enhance the profit margin of products;
5. To promote e-commerce work and enhance risk control capabilities and user stickiness;
6. To promote the construction of acrylonitrile projects with high quality and efficiency;
7. To carefully formulate and release the 14th Five-Year Plan of the Company; and

8. To deeply explore feasible ways to make use of natural gas in the South China Sea, vigorously promote the research of carbon-rich natural gas utilization technology, and further promote green and low-carbon development.

(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 2021. The Group's unaudited interim results for the six months ended 30 June 2021 have been reviewed independently by the Company's external auditor, BDO Limited, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. Neither the Audit Committee nor BDO Limited, the independent auditor, has any disagreement over the accounting treatments adopted in preparing the interim results for the reporting period.

Compliance with Corporate Governance Code

The Company strives to maintain a high level of corporate governance in order to enhance transparency and ensure the protection of the overall interests of the shareholders. During the six months ended 30 June 2021, 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 2021, 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 2021, 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 2021 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 2021

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. Guo Xinjun and Mr. Liu Zhenyu, and the independent non-executive directors of the Company are Mr. Yu Changchun, Mr. Lin Feng and Mr. Xie Dong.

* *For identification purpose only*