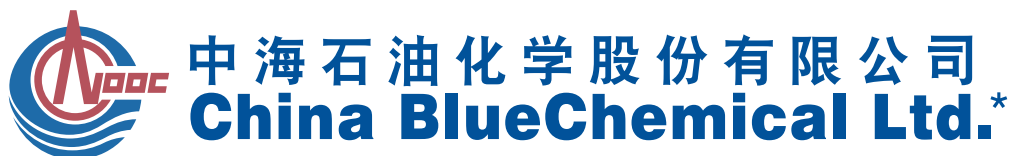


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(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 3983)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

FINANCIAL HIGHLIGHTS

1. Revenue amounted to RMB7,371 million
2. Gross profit amounted to RMB1,408 million
3. Profit attributable to owners of the Company amounted to RMB937 million
4. Basic earnings per share was RMB0.20

(I) UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

		Six months ended	
		30 June 2022	30 June 2021
		(Unaudited)	(Unaudited)
	Notes	RMB'000	RMB'000
Revenue	4	7,370,785	6,109,852
Cost of sales		<u>(5,962,735)</u>	<u>(4,824,625)</u>
Gross profit		1,408,050	1,285,227
Other income, net	4	32,734	59,533
Other gains and losses	5	34,625	1,158
Selling and distribution costs		(59,139)	(58,233)
Administrative expenses		(251,358)	(229,927)
Other expenses		(20,610)	(18,135)
Change in fair value of financial assets at fair value through profit or loss		14,826	5,085
Finance income		152,152	185,904
Finance costs		(13,576)	(32,395)
Net exchange (losses)/gains		(3,502)	667
Gain on disposal of a subsidiary		—	68,707
Gain on disposal of an associate		—	455,103
Share of (losses)/profits of joint ventures		(569)	99
Share of profits of associates		<u>2,333</u>	<u>908</u>
Profit before income tax expenses	6	1,295,966	1,723,701
Income tax expenses	7	<u>(249,940)</u>	<u>(395,776)</u>
Profit for the period		<u>1,046,026</u>	<u>1,327,925</u>
Profit for the period attributable to:			
Owners of the Company		936,965	1,245,766
Non-controlling interests		<u>109,061</u>	<u>82,159</u>
		<u>1,046,026</u>	<u>1,327,925</u>
Earnings per share attributable to owners of the Company			
— Basic for the period (RMB per share)	8	<u>0.20</u>	<u>0.27</u>

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

For the six months ended 30 June 2022

	Six months ended	
	30 June	30 June
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit for the period	<u>1,046,026</u>	<u>1,327,925</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	78	(227)
Share of other comprehensive income of joint ventures	<u>396</u>	<u>1,149</u>
	<u>474</u>	<u>922</u>
Total comprehensive income for the period	<u>1,046,500</u>	<u>1,328,847</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	937,439	1,246,688
Non-controlling interests	<u>109,061</u>	<u>82,159</u>
	<u>1,046,500</u>	<u>1,328,847</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

		30 June 2022	31 December 2021
		(Unaudited)	(Audited)
	<i>Notes</i>	RMB'000	RMB'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		6,899,457	6,742,510
Mining rights		129,767	130,279
Prepaid lease payments	9	525,163	533,210
Investment properties		83,539	86,196
Intangible assets		35,079	39,840
Investment in joint ventures	10	288,767	289,524
Investment in associates	11	33,873	34,424
Financial asset at fair value through other comprehensive income		600	600
Deferred tax assets		38,112	37,517
Prepayment for property, plant and equipment		54,182	75,867
		<u>8,088,539</u>	<u>7,969,967</u>
CURRENT ASSETS			
Inventories		1,507,110	1,231,545
Trade receivables	12	150,234	35,409
Bills receivable	13	138,215	176,853
Contract assets		17,679	7,259
Prepayments, deposits and other receivables		531,974	332,375
Financial assets at fair value through profit or loss		2,720,948	2,756,122
Value-added tax recoverable		204,793	434,380
Pledged bank deposits		7,219	13,219
Time deposits with original maturity over three months		7,800,000	7,800,000
Cash and cash equivalents		864,750	674,449
		<u>13,942,922</u>	<u>13,461,611</u>
TOTAL ASSETS		<u><u>22,031,461</u></u>	<u><u>21,431,578</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*At 30 June 2022*

	30 June 2022	31 December 2021
	(Unaudited)	(Audited)
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
EQUITY		
CAPITAL AND RESERVES		
Issued capital	4,610,000	4,610,000
Reserves	11,443,402	10,502,551
Proposed dividends	<i>14</i> <u>—</u>	<u>714,550</u>
Equity attributable to owners of the Company	16,053,402	15,827,101
Non-controlling interests	<u>1,035,143</u>	<u>1,087,573</u>
TOTAL EQUITY	<u>17,088,545</u>	<u>16,914,674</u>
LIABILITIES		
NON-CURRENT LIABILITIES		
Benefits liability	5,151	6,059
Interest-bearing bank and other borrowings	981,704	571,991
Lease liabilities	12,401	17,120
Deferred tax liabilities	25,924	27,331
Deferred revenue	116,564	125,804
Other long-term liabilities	<u>293,995</u>	<u>326,560</u>
	<u>1,435,739</u>	<u>1,074,865</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*At 30 June 2022*

		30 June 2022	31 December 2021
		(Unaudited)	(Audited)
	<i>Notes</i>	RMB'000	RMB'000
CURRENT LIABILITIES			
Trade payables	<i>15</i>	1,395,048	1,335,288
Contract liabilities		634,980	811,122
Other payables and accruals		712,254	667,949
Interest-bearing bank and other borrowings		632,880	447,750
Lease liabilities		12,972	8,695
Income tax payable		119,043	171,235
		<u>3,507,177</u>	<u>3,442,039</u>
TOTAL LIABILITIES		<u>4,942,916</u>	<u>4,516,904</u>
TOTAL EQUITY AND LIABILITIES		<u>22,031,461</u>	<u>21,431,578</u>
NET CURRENT ASSETS		<u>10,435,745</u>	<u>10,019,572</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>18,524,284</u>	<u>17,989,539</u>
NET ASSETS		<u>17,088,545</u>	<u>16,914,674</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 (the “**PRC**”) and the registered office of the Company is located at No. 3, Park Third Road, Basuo Town, Dongfang City, Hainan Province, PRC. The ultimate holding company of the Company is China National Offshore Oil Corporation (“**CNOOC**”), a state-owned enterprise established in the PRC.

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, 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 2022 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2021.

The IASB has issued new or amended International Financial Reporting Standard (“**IFRS**”) that is first effective on 1 January 2022 and is therefore applicable for the current accounting period of the Group.

Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual Improvements to 2018–2020 cycle
Amendments to IAS 16	Proceed before Intended Use
Amendments to IFRS 3	Reference to the Conceptual Framework

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, net exchange losses/gains, other gains and losses, other expenses, 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 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	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 2022						
(Unaudited)						
Segment revenue:						
Sales to external customers	2,486,437	1,781,910	1,738,141	1,364,297	—	7,370,785
Inter-segment sales	—	—	—	940,886	(940,886)	—
Total	<u>2,486,437</u>	<u>1,781,910</u>	<u>1,738,141</u>	<u>2,305,183</u>	<u>(940,886)</u>	<u>7,370,785</u>
Segment results:						
Segment profit/(loss)						
before income tax expenses	<u>419,626</u>	<u>103,609</u>	<u>628,427</u>	<u>(21,375)</u>	<u>—</u>	<u>1,130,287</u>
Interest and unallocated income						201,603
Corporate and other unallocated expenses						(34,186)
Net exchange losses						(3,502)
Share of losses of joint ventures						(569)
Share of profits of associates						<u>2,333</u>
Profit before income tax expenses						<u>1,295,966</u>

	Urea <i>RMB'000</i>	Phosphorus and compound fertiliser <i>RMB'000</i>	Methanol <i>RMB'000</i>	Others <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <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 expenses	<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 expenses						<u>1,723,701</u>

4. REVENUE AND OTHER INCOME

An analysis of revenue and other income is as follows:

	Six months ended	
	30 June	30 June
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue		
Sale of goods, recognised at a point in time*	6,991,548	5,933,779
Rendering of services, recognised overtime*	<u>379,237</u>	<u>176,073</u>
	<u>7,370,785</u>	<u>6,109,852</u>
Other income, net		
Income from sale of other materials, recognised at a point in time*	7,783	7,465
Loss from rendering of other services, recognised overtime*	(260)	(253)
Gross rental income	377	1,392
Government grants	15,947	20,789
Indemnities received	2,355	23,443
Others	<u>6,532</u>	<u>6,697</u>
	<u>32,734</u>	<u>59,533</u>

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

5. OTHER GAINS AND LOSSES

	Six months ended	
	30 June	30 June
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Gain on maturity of financial assets at FVTPL	33,749	—
Reversal of impairment loss on other receivables	—	2,058
Gain/(loss) on disposal of property, plant and equipment	<u>876</u>	<u>(900)</u>
	<u>34,625</u>	<u>1,158</u>

6. PROFIT BEFORE INCOME TAX EXPENSES

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

	Six months ended	
	30 June 2022 (Unaudited) RMB'000	30 June 2021 (Unaudited) RMB'000
Cost of inventories sold	5,639,964	4,688,202
Cost of services provided	<u>322,771</u>	<u>136,423</u>
Cost of sales recognised as expenses	<u>5,962,735</u>	<u>4,824,625</u>
Depreciation and amortisation:		
Depreciation of property, plant and equipment		
— Owned property, plant and equipment	253,149	265,167
— Right-of-use assets included:		
— Buildings	1,036	895
— Plant and machinery	1,394	1,393
Amortisation of mining rights	512	597
Amortisation of prepaid lease payments	7,568	7,560
Amortisation of investment properties	2,657	2,718
Amortisation of intangible assets	<u>4,761</u>	<u>3,533</u>
	<u>271,077</u>	<u>281,863</u>

7. INCOME TAX EXPENSES

	Six months ended	
	30 June 2022 (Unaudited) RMB'000	30 June 2021 (Unaudited) RMB'000
Current tax		
PRC Enterprise Income Tax	251,392	229,425
(Over)/under-provision in prior year	<u>(3,454)</u>	<u>6,342</u>
	247,938	235,767
Deferred tax	<u>2,002</u>	<u>160,009</u>
Total income tax expenses	<u>249,940</u>	<u>395,776</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 2022 and 2021.

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	30 June
	2022	2021
	(Unaudited)	(Unaudited)
	RMB’000	RMB’000
Profit before income tax expenses	<u>1,295,966</u>	<u>1,723,701</u>
Tax at the statutory tax rate of 25%	323,992	430,925
Tax effect of concessionary tax rate	(39,687)	(21,527)
Tax effect of share of profits of joint ventures and associates	(441)	(252)
Tax effect of revenue not taxable for tax purposes	(43,484)	(16,188)
Tax effect of expenses not deductible for tax purposes	2,923	6,356
Tax effect of tax losses not recognised	26,738	38,390
Tax effect of deductible temporary differences not recognised	—	3,956
Utilisation of tax losses not recognised	(16,647)	(52,226)
(Over)/under-provision in respect of prior years	<u>(3,454)</u>	<u>6,342</u>
Income tax expenses	<u>249,940</u>	<u>395,776</u>
The Group’s effective income tax rate	<u>19%</u>	<u>23%</u>

8. EARNINGS PER SHARE

	Six months ended	
	30 June	30 June
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Earnings		
Profit for the period attributable to owners of the Company	936,965	1,245,766

	Six months ended	
	30 June	30 June
	2022	2021
	(Unaudited)	(Unaudited)
	'000	'000
Shares		
Number of ordinary shares	4,610,000	4,610,000

The Group had no potential dilutive ordinary shares in issue during the six months ended 30 June 2022 and 2021.

9. PREPAID LEASE PAYMENTS

The Group did not acquire land use right during the six months ended 30 June 2022 and 2021.

10. INVESTMENT IN JOINT VENTURES

	30 June	31 December
	2022	2021
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Cost of investment in joint ventures	265,299	265,299
Share of post-acquisition profits and other comprehensive income, net of dividends received	23,468	24,225
	288,767	289,524

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 2022	31 December 2021	
				%	%	
貴州錦麟化工有限責任公司 (transliterated as Guizhou Jinlin Chemical Co., Ltd.)	PRC 12 April 2007	RMB584,221	Direct Indirect	33.99 —	33.99 —	Phosphorus mining and processing, manufacturing and sales of phosphorus ore and chemical products
CBC (Canada) Holding Corp. (中海化學(加拿大)控股公司)	Canada 28 May 2013	CAD24,000	Direct 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 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Cost of investment in associates	33,031	33,031
Share of post-acquisition profits and other comprehensive income, net of dividends received	2,598	3,149
Accumulated impairment	(1,756)	(1,756)
	<u>33,873</u>	<u>34,424</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 2022 %	31 December 2021 %	
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	Manufacturing 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

12. TRADE RECEIVABLES

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

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

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Trade receivables	<u>150,234</u>	<u>35,409</u>

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

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Within one year	150,189	35,409
Over one year but within two years	<u>45</u>	<u>—</u>
	<u>150,234</u>	<u>35,409</u>

Movement in the expected credit losses (“ECLs”) in respect of trade receivables during the period/year is as follows:

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Balance at beginning of the period/year	—	762
Reversal of impairment loss	<u>—</u>	<u>(762)</u>
Balance at end of the period/year	<u>—</u>	<u>—</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 RMBNil (31 December 2021: RMBNil).

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

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Neither past due nor impaired	<u>150,234</u>	<u>35,409</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 2022, the amounts due from the ultimate holding company, its subsidiaries and associates (other than the ultimate holding company collectively referred to as the “CNOOC group companies”), associates and joint ventures 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 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
CNOOC group companies	119,056	13,288
Associates	1,487	2,166
Joint ventures	325	325
	<u>120,868</u>	<u>15,779</u>

13. BILLS RECEIVABLE

The bills receivable of the Group as at 30 June 2022 and 31 December 2021 were all mature within twelve months.

As at 30 June 2022, 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 RMB50,299,000 (31 December 2021: RMB213,757,000). 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 2022, 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 RMB50,299,000 (31 December 2021: RMB213,757,000).

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 2022, a final dividend of RMB0.154 per share in respect of the year ended 31 December 2021 (six months ended 30 June 2021: a final dividend of RMB0.080 per share in respect of the year ended 31 December 2020) was declared and paid to the owners of the Company. The dividend declared and paid during the six months ended 30 June 2022 amounted to RMB711,138,000 (six months ended 30 June 2021: RMB368,800,000).

The board of directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: 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 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Within one year	1,333,242	1,286,545
Over one year but within two years	59,505	45,865
Over two years but within three years	1,621	1,704
Over three years	<u>680</u>	<u>1,174</u>
	<u>1,395,048</u>	<u>1,335,288</u>

As at 30 June 2022, the amounts due to CNOOC group companies, associate, joint venture and the Company's subsidiaries' non-controlling shareholders and the non-controlling shareholders' subsidiaries (the "Other Related Parties") included in the above, which are unsecured, non-interest bearing and have no fixed repayment terms, can be analysed as follows:

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
CNOOC group companies	532,186	518,770
Associate	421	421
Joint venture	3,871	—
Other Related Parties	<u>3,840</u>	<u>5,651</u>
	<u>540,318</u>	<u>524,842</u>

(III)MANAGEMENT DISCUSSION AND ANALYSIS

1. Sector Review

Chemical fertiliser industry

In the first half of the year, international geopolitical issues heightened global market concerns over the supply of chemical fertilisers and rising grain prices. Ensuring grain safety has become more crucial and the importance of chemical fertiliser supply to guarantee grain production was further amplified. Meanwhile, thanks to the efforts of the Chinese government in continuously implementing the policy of reducing the use and enhancing the efficiency of chemical fertilisers and vigorously promoting environmental protection, the pace of phasing out enterprises with backward or limited production capacity was accelerated in the chemical fertiliser industry with a gradual improvement in the demand-supply balance.

(I) *Urea*

In the first half of 2022, the urea market demonstrated an overall upward trend as both demand and supply boomed. The market prices of domestic urea fluctuated in a rising trend during the first quarter of the year under the combined effect of increasing demand and tight supply in domestic and overseas markets. The market experienced explosive growth in the demand from industrial and agricultural industries in the second quarter, which was due to the fact that it was the peak demand season for agriculture as well as the high operation rate of compound fertiliser companies. The overall domestic urea market therefore delivered strong performance with the highest ex-factory price of urea exceeding RMB3,300 per tonne. In mid-to-late June when the farming season was drawing to an end and the demand from the industrial and agricultural industries pulled back, the domestic urea market was weakened and there were substantial downward adjustments in urea prices.

(II) *Phosphate fertilisers*

The phosphate fertiliser market went through a consolidation, followed by an upward trend in the first half of 2022. In the first quarter of the year, energy supply tightened in European countries amid geopolitical conflicts, which led to an upsurge in the production costs in Europe, North Africa and other main phosphate fertiliser producing regions and, in turn, a continuous escalation in phosphate fertiliser prices. Since the start of the second quarter, domestic DAP prices have risen along with the costs by approximately RMB1,200 per tonne and its ex-factory prices in central China reached RMB4,700–RMB4,800 per tonne.

In the first half of the year, MAP and DAP prices in the domestic market surged significantly. The mainstream ex-factory prices of MAP and DAP both increased by over RMB1,000 from approximately RMB2,800 per tonne and approximately RMB3,500 per tonne, respectively, in the beginning of the year to RMB4,300 per tonne and RMB4,700 per tonne, respectively, at the end of June.

Chemical industry

In the first half of 2022, market prices of chemical products fluctuated widely under the impact of various uncertainties. The global energy supply was relatively tight and Russia-Ukraine conflict boosted oil prices, fuelling an upward movement in the prices of chemical products. As the macro outlook deteriorated and the COVID pandemic persisted, transmissions along the industrial supply chain were interrupted and the support from demand became relatively weak, resulting in a decline in market prices with volatility.

(I) Methanol

In the first half of the year, the new domestic production capacity of methanol was approximately 1.70 million tonnes and its domestic production volume increased by 640 thousand tonnes or approximately 1.84% over the corresponding period of last year to approximately 35.43 million tonnes. The import volume was approximately 6.12 million tonnes, representing an increase of 270 thousand tonnes or 4.61% over the corresponding period of last year.

The overall methanol market prices suffered a plunge after soaring high in the first half of the year. The market supply and demand were relatively balanced during the first quarter of the year with methanol market prices rising in fluctuation. In particular, the market prices in Guangdong ranged from RMB2,510 to RMB3,330 per tonne and the methanol prices in Inner Mongolia ranged from RMB1,850 to RMB2,860 per tonne. Due to insufficient demand support, gradually increasing import supply and higher port inventory levels, market prices experienced downward fluctuations in the second quarter. The market prices in Guangdong ranged from RMB2,570 to RMB3,010 per tonne and the methanol prices in Inner Mongolia ranged from RMB2,280 to RMB2,725 per tonne.

(II) POM

In the first half of 2022, POM production recorded good profit. However, the output in the first half of 2022 decreased by 8.3% as compared to the corresponding period of last year, which was attributable to the increase in net import volume and the limited demand from downstream industries.

The domestic POM prices remained high in the first half of 2022, during which the overall prices initially rose up and ended with a fall. The market performance was strong and prices were on the rise in the first quarter as it was the peak season for POM sales.

However, the prices started to edge down from the beginning of the second quarter due to insufficient demand amid the COVID pandemic and the limited acceptability of downstream industries towards high price levels.

2. Business Review

During the reporting period, the Company strengthened its management and control over production operation by carrying out large-scale safety inspections and hidden danger investigations and treatments. Steady improvement was made in production safety in general. The Fudao Phase I and Fudao Phase II urea plants completed their respective annual plant overhauls as scheduled with the required quality. The Hainan Phase I and Hainan Phase II methanol plants recorded the highest output volume for the corresponding periods in the recent 5 years. In the first half of the year, the Company produced 909 thousand tonnes of urea, 773 thousand tonnes of methanol, 522 thousand tonnes of phosphate fertilisers and compound fertilisers and 5 thousand tonnes of POM.

During the first half of the year, the Company further unlocked the function of marketing as its “second engine”. Riding on the rising trend in prices of chemical fertilisers and chemical products, the Company became a market leader in terms of methanol prices and realized due interest through proper pricing of chemical fertilisers. The quality of self-operated business was further improved and the scale of it was further expanded, reflecting the marketing value contribution. The Company sold 949 thousand tonnes of urea, 722 thousand tonnes of methanol, 515 thousand tonnes of phosphate fertilisers and compound fertilisers and 3,484 tonnes of POM. Attributable to the continued efforts of the Company in product portfolio optimisation, sales volume of value-added products hit a record high, with a year-on-year increase of 73 thousand tonnes recorded.

The construction and preparation work for production of the Company’s key acrylonitrile project were smoothly underway and the milestone targets were essentially achieved. The Company has been actively working on the acquisition of Orient Petrochemical and made substantive progress on the transfer of equity interests in DYK Chemical and CNOOC Tianye.

In the first half of the year, the Company actively promoted the “Dual Carbon Action Plan” and timely completed the dual-carbon quota task of the Company, allowing it to maintain its position as an industry leader in terms of energy efficiency indicators.

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					
	2022			2021		
Chemical fertilisers	Production volume (tonnes)	Sales volume (tonnes)	Utilisation rate (%)	Production volume (tonnes)	Sales volume (tonnes)	Utilisation rate (%)
Urea						
Fudao Phase I	273,664	277,309	105.3	306,471	290,823	117.9
Fudao Phase II	324,407	334,432	81.1	380,834	393,886	95.2
CNOOC Tianye	—	—	0.0	—	284	0.0
CNOOC Huahe	<u>310,945</u>	<u>337,397</u>	<u>119.6</u>	<u>317,158</u>	<u>338,780</u>	<u>122.0</u>
Group total	<u>909,015</u>	<u>949,139</u>	<u>77.0</u>	<u>1,004,463</u>	<u>1,023,773</u>	<u>85.1</u>
Phosphate fertilisers and compound fertilisers						
DYK MAP	45,542	45,843	60.7	35,263	32,803	47.0
DYK DAP Phase I (Note 1)	185,272	209,483	105.9	152,061	171,478	86.9
DYK DAP Phase II	<u>291,400</u>	<u>259,796</u>	<u>116.6</u>	<u>322,712</u>	<u>349,534</u>	<u>129.1</u>
Group total	<u>522,214</u>	<u>515,122</u>	<u>104.4</u>	<u>510,036</u>	<u>553,815</u>	<u>102.0</u>
Chemical products						
Methanol						
Hainan Phase I	336,023	316,768	112.0	240,040	238,168	80.0
Hainan Phase II	437,434	405,393	109.4	362,416	339,884	90.6
CNOOC Tianye	—	—	0.0	—	—	0.0
Group total	<u>773,457</u>	<u>722,161</u>	<u>96.7</u>	<u>602,456</u>	<u>578,052</u>	<u>75.3</u>
POM						
CNOOC Tianye POM	<u>5,178</u>	<u>3,484</u>	<u>25.9</u>	<u>17,375</u>	<u>17,410</u>	<u>86.9</u>
Group total	<u>5,178</u>	<u>3,484</u>	<u>25.9</u>	<u>17,375</u>	<u>17,410</u>	<u>86.9</u>

Note 1: In the first half of 2022, the DYK DAP Phase I Plant produced 6,983 tonnes of DAP and 178,289 tonnes of compound fertilisers, amounting to 185,272 tonnes in total, and sold 9,621 tonnes of DAP and 199,862 tonnes of compound fertilisers, amounting to 209,483 tonnes in total. 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.

BB fertilisers

In the first half of 2022, the Group produced a total of 12,644 tonnes of BB fertilisers with a sales volume of 12,031 tonnes.

3. Financial Review

Revenue and gross profit

During the reporting period, the Group's revenue was RMB7,370.8 million, representing an increase of RMB1,260.9 million, or 20.6%, from that of RMB6,109.9 million in the corresponding period of 2021. This was primarily attributable to the significant year-on-year increase in the selling prices of methanol, urea and phosphate and compound fertilisers of the Group.

During the reporting period, the Group realised an external revenue from urea of RMB2,486.4 million, representing an increase of RMB470.1 million, or 23.3%, from that of RMB2,016.3 million in the corresponding period of 2021. This was primarily attributable to (1) an increase of RMB650.2 per tonne in the selling price of urea, which increased the revenue by RMB617.1 million; and (2) a decrease of 74,634 tonnes in the sales volume of urea, which decreased the revenue by RMB147.0 million and partially offset the above increase.

During the reporting period, the Group realised an external revenue from phosphate fertilisers and compound fertilisers of RMB1,781.9 million, representing an increase of RMB306.7 million, or 20.8%, from that of RMB1,475.2 million in the corresponding period of 2021. This was primarily attributable to (1) an increase of RMB795.4 per tonne in the selling price of phosphate and compound fertilisers, which increased the revenue by RMB409.7 million; and (2) a decrease of 38,689 tonnes in the sales volume of phosphate and compound fertilisers, which decreased the revenue by RMB103.0 million and partially offset the above increase.

During the reporting period, the Group realised an external revenue from methanol of RMB1,738.1 million, representing an increase of RMB460.9 million, or 36.1%, from that of RMB1,277.2 million in the corresponding period of 2021. This was primarily attributable to (1) an increase of RMB197.3 per tonne in the selling price of methanol, which increased the revenue by RMB142.5 million; and (2) an increase of 144,108 tonnes in the sales volume of methanol, which increased the revenue by RMB318.4 million.

During the reporting period, the Group realised an external revenue from other segments (primarily comprising port operations and provision of transportation services; trading of chemical fertilisers and chemical products; and production and sales of POM, BB fertilisers and liquid ammonia) of RMB1,364.4 million, representing an increase of RMB23.2 million, or 1.7%, from that of RMB1,341.2 million in the corresponding period of 2021. This was primarily attributable to (1) an increase of RMB140.53 million in revenue from the trading business this year as compared to last year due to the increase in trading volume of the Company with the gradual improvement of the marketing platform; (2) an increase of

RMB13.5 million in revenue due to cargo handling and transportation volumes of Basuo Port; (3) an increase of RMB7.0 million in revenue from BB fertilisers due to their increased price even though there was a decrease in their sales volume; (4) a decrease of RMB128.5 million in revenue from POM due to the decrease of 13,926 tonnes in its sales volume albeit an increase of RMB6,085.9 per tonne in its price this year as compared to 2021; and (5) a decrease of RMB3 million in revenue from the sales of liquid ammonia, formaldehyde and carbon dioxide, etc.

During the reporting period, the Group's gross profit was RMB1,408.0 million, representing an increase of RMB122.8 million, or 9.6%, from that of RMB1,285.2 million in the corresponding period of 2021. This was primarily attributable to (1) an increase of RMB309.7 million in gross profit of methanol due to an increase in the price and sales volume of methanol in 2022; (2) a decrease of RMB99.4 million in gross profit of phosphate and compound fertilisers due to rising raw material prices and a decline in their sales volume, albeit an increase in their prices; (3) a decrease of RMB66.4 million in gross profit of urea due to rising raw material prices and a reduction in the production and sales volumes of the two plants of CNOOC Fudao which underwent an overhaul, although there was a significant increase in the urea prices during 2022; (4) a decrease of RMB35.0 million in gross profit of POM due to a decrease in its sales volume, although there was a significant increase in the POM prices; and (5) an increase of RMB13.9 million in gross profit of other segments.

Other income and other gains and losses

During the reporting period, the Group's other income was RMB32.7 million, representing a decrease of RMB26.8 million, or 45%, from that of RMB59.5 million in the corresponding period of 2021. This was primarily attributable to (1) a year-on-year decrease of RMB8.7 million in receipts of government grants, fundings for technology research and account settlements, etc.; and (2) the penalty interest of RMB18.3 million received from Hualu Yangpoquan in the previous year.

During the reporting period, the Group's other gains and losses amounted to RMB34.6 million, representing an increase of RMB33.4 million from RMB1.2 million in the corresponding period of 2021. This was primarily attributable to (1) a gain of RMB33.8 million on maturity of wealth management products during the first half of the year, while there was an absence of such gain in the same period of previous year; (2) a gain on disposal of assets of RMB1.5 million in respect of the disposal and transfer of a land of DYK Chemical used as living area; (3) the reversal of provision for bad debts of Hualu Yangpoquan in the amount of RMB2.1 million in the previous year.

Selling and distribution costs

During the reporting period, the Group's selling and distribution costs amounted to RMB59.1 million, representing an increase of RMB0.9 million from that of RMB58.2 million in the corresponding period of 2021. This was primarily attributable to an increase of RMB0.9 million in the social insurance and other staff costs which were in recovery growth.

Administrative expenses

During the reporting period, the Group's administrative expenses amounted to RMB251.4 million, representing an increase of RMB21.5 million, or 9.4%, from that of RMB229.9 million in the corresponding period of 2021. This was primarily attributable to (1) an increase of RMB17.4 million in staff costs; (2) an increase of RMB10.1 million in research and development expenditures; (3) an increase of RMB3.5 million in taxes and surcharges; (4) a year-on-year decrease of RMB10.5 million in expenses, such as operation and maintenance expenses for information system, property fees, rental fees, consultation fees, outsourcing service fees and health, safety and environmental protection fees, as a result of the implementation of cost reduction and efficiency enhancement measures.

Other expenses

During the reporting period, the Group's other expenses amounted to RMB20.6 million, representing an increase of RMB2.5 million, or 12%, from that of RMB18.1 million in the corresponding period of 2021. This was primarily attributable to (1) external donations of RMB17.4 million, which increased by RMB17.3 million year-on-year; (2) a year-on-year decrease of RMB10.9 million in bank handling fees (which was due to the early repayment of financial lease facility by CNOOC Huahe in the previous year); and (3) a decrease of RMB3.6 million in liquidated damages and compensations.

Finance income and finance costs

During the reporting period, the Group's finance income amounted to RMB152.2 million (of which finance income from sizable certificate of deposit business amounted to RMB144.2 million), representing a decrease of RMB33.7 million from that of RMB185.9 million (of which finance income from sizable certificate of deposit business amounted to RMB165.3 million) in the corresponding period of 2021.

During the reporting period, the Group's finance costs amounted to RMB13.6 million, representing a decrease of RMB18.8 million from that of RMB32.4 million in the corresponding period of 2021. Such decrease in finance costs was due to the reduction in the financings of CNOOC Huahe and DYK Chemical.

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

Net exchange (losses)/gains

During the reporting period, the Group recorded net exchange losses of RMB3.5 million, representing an increase in loss of RMB4.2 million from net exchange gains of RMB0.7 million in the corresponding period of 2021. It was mainly the exchange losses recorded in the Company's dividend 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 RMB1.8 million, representing an increase of RMB0.8 million from that of RMB1 million in the corresponding period of 2021. This was primarily attributable to (1) the recognition of an increase of RMB1.2 million in the investment income in United Wealthfert Co., Ltd. for the year; and (2) the recognition of a year-on-year decrease of RMB0.5 million in the investment income in CBC (Canada) Holding Corp. for the year.

Income tax expenses

During the reporting period, the Group's income tax expenses amounted to RMB249.9 million, representing a decrease of RMB145.9 million from that of RMB395.8 million in the corresponding period of 2021. This was primarily attributable to (1) a year-on-year increase in operating profit before tax recorded by the Group for the year, which resulted in a corresponding increase of RMB16.8 million in current income tax expenses; and (2) a decrease of RMB162.7 million in deferred income tax expenses (a decrease of RMB26.3 million in reversal of deferred income tax expenses provided by subordinate companies including CNOOC Huahe, DYK Chemical, CNOOC Tianye, CNOOC Fudao, Guangxi Fudao and Jiantao in previous years; and a reversal of RMB136.4 million of deferred income tax expense 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) in previous year).

Net profit for the period

During the reporting period, the Group's net profit was RMB1,046.0 million, representing a decrease of RMB281.9 million as compared with that of RMB1,327.9 million for the corresponding period of 2021.

Dividends

The board of directors of the Company (the "**Board**") does not recommend payment of an interim dividend for the six months period ended 30 June 2022. During the reporting period, the Company made dividend payments for 2021 in cash in the total amount of RMB714.6 million.

Capital expenditures

During the reporting period, the Group had total capital expenditures of RMB345.1 million, including RMB11.5 million for mining projects, RMB1.6 million for base construction (production accessories) projects, RMB331.2 million for oil refining and chemicals projects, RMB0.2 million for environmental management, energy conservation and low carbon projects, RMB0.7 million for office equipments and RMB0.03 million for technology research (capital expenditures) projects.

The key projects mainly included: (1) the acrylonitrile project of the Company in the amount of RMB272.4 million; (2) the overall upgrade and revamp project for the furnace reformer tubes of CNOOC Fudao Chemical Fertiliser Phase II synthetic ammonia plant in the amount of RMB25.7 million; and (3) the underground mining engineering project of DYK Chemical with an annual phosphate ore output of 1.60 million tonnes in the amount of RMB6.4 million.

Pledge of assets

As at 30 June 2022, no property, plant and equipment was charged by the Group as collateral for interest-bearing bank borrowings.

Capital management

The primary objective of the Group's capital management is to maintain a strong credit ranking and sound capital structure in order to safeguard its normal production and operation and maximise shareholders' value. The Group manages its capital structure and makes timely adjustments in light of changes in economic conditions. To maintain or realign the capital structure, the Group may raise capital by way of new debts or issuance of new shares. As at 30 June 2022, the Group had total interest-bearing liabilities of RMB1,615 million, 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 2022 (calculated as interest-bearing liabilities divided by the sum of equity and interest-bearing liabilities) was 8.8%.

Cash and cash equivalents

At the beginning of 2022, the Group had cash and cash equivalents of RMB674.4 million. For the first half of 2022, net cash inflow from operating activities was RMB744.6 million, net cash outflow from investing activities was RMB260.0 million, net cash outflow from financing activities was RMB296.9 million, and the increase in cash and cash equivalents due to the effect of foreign exchange rate changes was RMB2.6 million. As at 30 June 2022, the Group's cash and cash equivalents were RMB864.8 million. The Group has sufficient working capital to meet the funding requirements for its day-to-day operation and future development.

Human resources and training

As at 30 June 2022, the Group had a total of 4,202 employees, and the total remuneration and allowances of employees amounted to approximately RMB306.6 million for the first half of 2022. 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, performances and capabilities.

During the reporting period, the Company strictly followed the annual training plan with a total of 35,058 enrolments and a total of 107,581 training hours. The Company also organised a total of 3,989 courses on safety training (on-site safety education and three-level safety training with contractors attended), internet safety training and external training, with a total of 52,663 enrolments and 110,301 training hours.

Market risks

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

Commodity price risk

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

Interest rate risk

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

Foreign exchange risk

The Group's sales revenue is primarily denominated in RMB and secondarily in United States dollar (USD). The Group's purchases of equipment and materials are primarily denominated in RMB and secondarily in USD. During the reporting period, the RMB to USD exchange rate ranged between 6.3014 and 6.7898. Fluctuations in RMB to USD exchange rate will have impacts on the Company's import of equipment and raw materials, export of products as well as the financing activities in USD.

As at 30 June 2022, the balance of the Group's deposits in USD was US\$2.6 million.

Inflation and currency risk

According to the National Bureau of Statistics of China, the consumer price index of the PRC increased by 2.5% during the reporting period, which did not have any significant impact on the Group's operating results for the year.

Subsequent events

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

Contingent liabilities

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

Material litigation and arbitration

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

Material acquisitions and disposals of subsidiaries and associates of the Company

During the reporting period, the Group did not have any completed acquisitions or disposals.

On 27 June 2022, the Company initiated a listing-for-sale process to dispose of approximately 79.98% equity interest in Hubei Dayukou Chemical Limited on China Beijing Equity Exchange. As at the date of this announcement, the final transferee is still uncertain, and no equity transaction agreement has been entered into by the Company. Please refer to the announcements of the Company dated 27 June 2022 and 2 August 2022 for the latest progress of the potential disposal.

On 30 June 2022, the Company entered into a conditional equity transfer agreement with CNOOC Oil & Petrochemicals Co., Ltd. for a proposed acquisition of 100% equity interests in CNOOC Orient Petrochemical Co., Ltd. (中海石油東方石化有限責任公司). The transaction is subject to independent shareholders' approval at the general meeting to be held by the Company and satisfaction of conditions precedent of the agreement. Please refer to the announcements of the Company dated 30 June 2022, 21 July 2022 and 4 August 2022 for details and the latest progress of the transaction.

4. Sector Outlook

As the domestic demand is traditionally low in the second half of the year, especially in the third quarter, during which low-season reserve has not started, the domestic urea market may possibly face significant price mark-downs. Subject to the supply of natural gas and the scale of low-season reserve, the urea market may stabilize and rebound in the fourth quarter. Given the reduction in prices of main raw materials, in the second half of the year, the supply of

phosphate fertilisers is expected to loosen up in the domestic market, which will exert a greater pressure on the domestic sales, and the prices will thereby start to go down with fluctuations along with the costs. In the second half of the year, the excessive methanol supply over demand is expected to continue. Dampened by deteriorating macro views, the market will mainly under weak fluctuation adjustments, which will also be highly sensitive to factors such as the seasonal demand and supply of downstream industries and the trends of crude oil prices. The POM market is expected to see a more adequate supply in the second half of the year and the key concern will be whether the downstream demand can be restored.

5. Our Key Tasks in the second half of 2022

1. To strictly implement normalization requirements of epidemic prevention and control, and endeavour to achieve safe and stable operation for all production plants;
2. To strengthen the management, maintenance and overhauling of old equipments, and address bottleneck issues with consolidated technical skills;
3. To continuously enhance the ability to study and judge the channel and terminal markets at two levels, promote brand building, enlarge green value-added fertilisers, realise product value and gain a greater say;
4. To ensure successful trial operation of the acrylonitrile project and get well-prepared for its production and sales;
5. To push forward the project in Xingang Zone of Basuo Port in relation to the construction of a petrochemical wharf with a throughput of 20 thousand tonnes;
6. To actively proceed with the acquisition of Orient Petrochemical;
7. To complete the transfer of equity interests in DYK Chemical and CNOOC Tianye in a steady manner; and
8. To accelerate the research of carbon-rich natural gas utilisation technology, master more advanced technology of carbon sequestration, and 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 2022. The Group's unaudited interim results for the six months ended 30 June 2022 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 2022, save as disclosed below, the Company had complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

On 30 March 2022, Mr. Wang Weimin resigned from the positions of the chairman of the Board and an executive director, and Mr. Hou Xiaofeng, an executive director, was appointed by the Board to perform the duties and responsibilities of the chairman of the Board until the effective date of the appointment of the new chairman of the Board. In view of Mr. Hou Xiaofeng’s experience, personal profile and his roles in the Company, the Board considers that it has no unfavorable impact on the business prospects and operational efficiency of the Company that Mr. Hou Xiaofeng, in addition to acting as the president of the Company, acts as the chairman of the Board. The Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) there is sufficient check and balance in the Board as the decision to be made by the Board requires approval by at least a majority of the directors and the Board has three independent non-executive directors out of the seven directors, which is in compliance with the Listing Rules; (ii) Mr. Hou Xiaofeng and the other directors are aware of and undertake to fulfill their fiduciary duties as directors, which require, among other things, that they act for the benefit and in the best interest of the Company and make decisions for the Company accordingly; (iii) the balance of power and responsibilities is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company; and (iv) the overall strategic and other key business, financial, and operational policies of the Company are made collectively after thorough discussion at both Board and senior management levels.

The Company will use its best endeavor to identify suitable candidates to fill the vacancies and to re-comply with the relevant requirements of the Corporate Governance Code as soon as practicable.

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 2022, 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 2022, 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 2022 Interim Report will be available on the HKExnews and the Company's website in due course.

By Order of the Board
China BlueChemical Ltd.*
Hou Xiaofeng
Executive Director, President

Beijing, the People's Republic of China, 26 August 2022

As at the date of this announcement, the executive directors of the Company are Mr. Hou Xiaofeng and Mr. Li Zhi, the non-executive directors of the Company are Mr. Huang Hulong and Mr. Zhao Baoshun, and the independent non-executive directors of the Company are Mr. Yu Changchun, Mr. Lin Feng and Mr. Xie Dong.

* *For identification purpose only*