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**中海石油化学股份有限公司**  
**China BlueChemical Ltd.\***

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

**(Stock Code: 3983)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

**FINANCIAL HIGHLIGHTS**

1. Revenue amounted to RMB6,176 million
2. Gross profit amounted to RMB1,064 million
3. Profit attributable to owners of the Company amounted to RMB1,715 million
4. Basic earnings per share was RMB0.37

**(I) UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS***For the six months ended 30 June 2023*

		<b>Six months ended</b>	
		<b>30 June 2023</b>	30 June 2022
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>RMB'000</b>	RMB'000
Revenue	4	<b>6,175,701</b>	7,370,785
Cost of sales		<b>(5,112,084)</b>	(5,962,735)
Gross profit		<b>1,063,617</b>	1,408,050
Other income, net	4	<b>57,476</b>	32,734
Other gains and losses	5	<b>45,161</b>	34,625
Selling and distribution costs		<b>(47,168)</b>	(59,139)
Administrative expenses		<b>(272,738)</b>	(251,358)
Other expenses		<b>(3,611)</b>	(20,610)
Change in fair value of financial assets at fair value through profit or loss		<b>6,150</b>	14,826
Finance income		<b>161,454</b>	152,152
Finance costs		<b>(9,957)</b>	(13,576)
Exchange losses, net		<b>(13,183)</b>	(3,502)
Gain on deemed disposal of a subsidiary	17	<b>852,397</b>	—
Share of losses of joint ventures		<b>(499)</b>	(569)
Share of profits of associates		<b>1,259</b>	2,333
Profit before income tax expenses	6	<b>1,840,358</b>	1,295,966
Income tax expenses	7	<b>(114,885)</b>	(249,940)
Profit for the period		<b>1,725,473</b>	1,046,026
Profit for the period attributable to:			
Owners of the Company		<b>1,715,398</b>	936,965
Non-controlling interests		<b>10,075</b>	109,061
		<b>1,725,473</b>	1,046,026
Earnings per share attributable to owners of the Company			
— Basic for the period ( <i>RMB per share</i> )	8	<b>0.37</b>	0.20

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

*For the six months ended 30 June 2023*

	<b>Six months ended</b>	
	<b>30 June</b>	30 June
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
Profit for the period	<u>1,725,473</u>	<u>1,046,026</u>
Other comprehensive income for the period, net of tax		
Items that may be reclassified subsequently to profit or loss		
Exchange differences arising on translation of foreign operations	106	78
Share of other comprehensive (expense)/income of joint ventures	(340)	396
Share of other comprehensive income of associates	<u>40</u>	<u>—</u>
Other comprehensive (expense)/income for the period	<u>(194)</u>	<u>474</u>
Total comprehensive income for the period	<u>1,725,279</u>	<u>1,046,500</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	1,715,204	937,439
Non-controlling interests	<u>10,075</u>	<u>109,061</u>
	<u>1,725,279</u>	<u>1,046,500</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

		30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
	<i>Notes</i>		
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		7,092,038	7,037,734
Mining rights		128,710	129,176
Prepaid lease payments	9	354,704	359,510
Investment properties		63,098	65,194
Intangible assets		75,059	32,856
Interests in joint ventures	10	293,882	295,244
Interests in associates	11	111,578	34,423
Financial asset at fair value through other comprehensive income		600	600
Deferred tax assets		141,057	53,356
Other long-term prepayments for property, plant and equipment		76,347	4,810
Loan receivable	12	763,568	—
		<u>9,100,641</u>	<u>8,012,903</u>
<b>CURRENT ASSETS</b>			
Inventories		1,348,038	1,189,994
Trade receivables	13	144,949	284,584
Bills receivable	14	32,574	136,817
Contract assets		18,997	11,612
Prepayments, deposits and other receivables		687,212	588,240
Financial assets at fair value through profit or loss		1,156,150	3,617,572
Value-added tax recoverable		243,465	164,006
Pledged bank deposits		818	4,203
Time deposits with original maturity over three months		9,900,000	8,400,000
Cash and cash equivalents		1,064,373	528,777
		<u>14,596,576</u>	<u>14,925,805</u>
A disposal group classified as held for sale		—	558,951
		<u>14,596,576</u>	<u>15,484,756</u>
<b>TOTAL ASSETS</b>		<u><u>23,697,217</u></u>	<u><u>23,497,659</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)***At 30 June 2023*

		<b>30 June</b>	31 December
		<b>2023</b>	2022
		<b>(Unaudited)</b>	(Audited)
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>EQUITY</b>			
<b>CAPITAL AND RESERVES</b>			
Issued capital		<b>4,610,000</b>	4,610,000
Reserves		<b>13,029,613</b>	11,316,560
Proposed dividends	<i>15</i>	<u>—</u>	<u>820,580</u>
Equity attributable to owners of the Company		<b>17,639,613</b>	16,747,140
Non-controlling interests		<u><b>1,132,026</b></u>	<u>1,029,450</u>
<b>TOTAL EQUITY</b>		<u><b>18,771,639</b></u>	<u><b>17,776,590</b></u>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Benefits liability		<b>271,292</b>	294,377
Interest-bearing bank and other borrowings		<b>1,428,296</b>	1,185,762
Lease liabilities		<b>5,536</b>	6,458
Deferred tax liabilities		<b>16,944</b>	14,217
Deferred revenue		<b>109,111</b>	112,000
Other long-term liabilities		<u><b>5,949</b></u>	<u>5,736</u>
		<u><b>1,837,128</b></u>	<u><b>1,618,550</b></u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)***At 30 June 2023*

		<b>30 June</b>	31 December
		<b>2023</b>	2022
		<b>(Unaudited)</b>	(Audited)
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>16</i>	<b>1,178,906</b>	1,346,483
Contract liabilities		<b>486,115</b>	782,618
Other payables and accruals		<b>757,921</b>	628,066
Interest-bearing bank and other borrowings		<b>572,087</b>	869,149
Lease liabilities		<b>8,978</b>	16,986
Income tax payable		<b>84,443</b>	125,555
		<b>3,088,450</b>	3,768,857
Liabilities associated with a disposal group classified as held for sale		<b>—</b>	333,662
		<b>3,088,450</b>	4,102,519
<b>TOTAL LIABILITIES</b>		<b>4,925,578</b>	5,721,069
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>23,697,217</b>	23,497,659
<b>NET CURRENT ASSETS</b>		<b>11,508,126</b>	11,382,237
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>20,608,767</b>	19,395,140
<b>NET ASSETS</b>		<b>18,771,639</b>	17,776,590

## (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.

The accounting policies and the significant judgments made by the management in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2022.

The IASB has issued new or amended International Financial Reporting Standard (“**IFRS**”) that is first effective on 1 January 2023 and is therefore applicable for the current accounting period of the Group.

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules

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, exchange losses, net, other gains and losses, other expenses, change in fair value of financial assets at fair value through profit or loss ("FVTPL"), gain on deemed disposal of a subsidiary, share of results 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>
<b>Six months ended 30 June 2023</b>						
<b>(Unaudited)</b>						
Segment revenue:						
Sales to external customers	2,520,008	1,193,639	1,399,979	1,062,075	—	6,175,701
Inter-segment sales	—	—	—	85,174	(85,174)	—
Total	<u>2,520,008</u>	<u>1,193,639</u>	<u>1,399,979</u>	<u>1,147,249</u>	<u>(85,174)</u>	<u>6,175,701</u>
Segment results:						
Segment profit/(loss) before income tax expenses	<u>549,733</u>	<u>46,914</u>	<u>297,231</u>	<u>(92,691)</u>	<u>—</u>	<u>801,187</u>
Interest and unallocated income						212,765
Corporate and other unallocated expenses						(13,568)
Exchange losses, net						(13,183)
Share of losses of joint ventures						(499)
Share of profits of associates						1,259
Gain on deemed disposal of a subsidiary						<u>852,397</u>
Profit before income tax expenses						<u><u>1,840,358</u></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>
<b>Six months ended 30 June 2022</b>						
<b>(Unaudited)</b>						
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)
Exchange losses, net						(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>

#### 4. REVENUE AND OTHER INCOME

An analysis of revenue and other income is as follows:

	Six months ended	
	30 June 2023 (Unaudited) RMB'000	30 June 2022 (Unaudited) RMB'000
<b>Revenue</b>		
Sale of goods, recognised at a point in time*	5,986,489	6,991,548
Rendering of services, recognised over time*	189,212	379,237
	<u>6,175,701</u>	<u>7,370,785</u>
<b>Other income, net</b>		
Income from sale of other materials, recognised at a point in time*	12,946	7,783
Income/(loss) from rendering of other services, recognised over time*	236	(260)
Gross rental income	442	377
Government grants <sup>#</sup>	35,206	15,947
Indemnities received	960	2,355
Sundry income	7,686	6,532
	<u>57,476</u>	<u>32,734</u>

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

<sup>#</sup> There are no unfulfilled conditions attaching to the government grants.

#### 5. OTHER GAINS AND LOSSES

	Six months ended	
	30 June 2023 (Unaudited) RMB'000	30 June 2022 (Unaudited) RMB'000
Gain on maturity of financial assets at FVTPL	44,558	33,749
Gain on disposal of property, plant and equipment	603	876
	<u>45,161</u>	<u>34,625</u>

## 6. PROFIT BEFORE INCOME TAX EXPENSES

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

	<b>Six months ended</b>	
	<b>30 June 2023 (Unaudited) RMB'000</b>	<b>30 June 2022 (Unaudited) RMB'000</b>
Cost of inventories sold	4,889,260	5,639,964
Write-down of inventories	67,793	—
Cost of services provided	155,031	322,771
	<u>5,112,084</u>	<u>5,962,735</u>
Cost of sales recognised as expenses		
Depreciation and amortisation:		
Depreciation of property, plant and equipment		
— Owned property, plant and equipment	244,259	253,149
— Right-of-use assets included:		
— Buildings	8,321	1,036
— Plant and machinery	—	1,394
Amortisation of mining rights	466	512
Amortisation of prepaid lease payments	4,806	7,568
Amortisation of investment properties	3,583	2,657
Amortisation of intangible assets	6,389	4,761
	<u>267,824</u>	<u>271,077</u>

## 7. INCOME TAX EXPENSES

	<b>Six months ended</b>	
	<b>30 June 2023 (Unaudited) RMB'000</b>	<b>30 June 2022 (Unaudited) RMB'000</b>
Current tax		
PRC Enterprise Income Tax	199,411	251,392
Under-provision in prior year	448	550
	<u>199,859</u>	<u>251,942</u>
Deferred tax	(84,974)	(2,002)
Total income tax expenses	<u>114,885</u>	<u>249,940</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.



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

Name of the entity	Place and date of incorporation and operation	Registered capital '000		Percentage of equity interest attributable to the Company		Principal activities
				30 June 2023	31 December 2022	
				%	%	
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	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	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	Indirect	36.56	36.56	Provision of overseas shipping services

## 11. INTERESTS IN ASSOCIATES

	<b>30 June 2023 (Unaudited) RMB '000</b>	31 December 2022 (Audited) RMB '000
Cost of investment in associates	<b>109,061</b>	33,031
Share of post-acquisition profits and other comprehensive income, net of dividends received	<b>2,517</b>	3,148
Accumulated impairment	—	(1,756)
	<b><u>111,578</u></b>	<b><u>34,423</u></b>

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 2023	31 December 2022	
				%	%	
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	Indirect	36.56	36.56	Provision of overseas shipping services
中海石油天野化工有限責任公司 (transliterated as CNOOC Tianye Chemical Limited) ("CNOOC Tianye") (Note)	PRC 18 December 2000	RMB2,272,856	Direct	25.27	—	Manufacturing and sale of fertilizers and methanol
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	30.00	30.00	Merchandising

*Note:* Upon the completion of the equity transaction agreement disclosed in Note 17, the remaining equity interests of 25.27% in CNOOC Tianye held by the Group are recognised as interests in associates.

## 12. LOAN RECEIVABLE

Loan receivable comprises of:

	<b>30 June 2023 (Unaudited) RMB'000</b>	31 December 2022 (Audited) RMB'000
Unsecured loan		
— principal	760,321	—
— interest	3,247	—
	<u>763,568</u>	<u>—</u>

The Group's loan receivable is due from an associate, CNOOC Tianye, and denominated in RMB. The loan receivable is unsecured, interest-bearing at 3.75% per annum and repayable on 8 May 2026.

A maturity profile of the loan receivable as at the end of the reporting periods, based on the maturity date, is as follows:

	<b>30 June 2023 (Unaudited) RMB'000</b>	31 December 2022 (Audited) RMB'000
Over two years but within three years	<b>763,568</b>	—

### 13. 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 mainly on credit. The credit period is generally one-month, except for some high-credit customers, where payments may be extended.

	<b>30 June 2023 (Unaudited) RMB'000</b>	31 December 2022 (Audited) RMB'000
Trade receivables	<b>144,949</b>	284,584

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:

	<b>30 June 2023 (Unaudited) RMB'000</b>	31 December 2022 (Audited) RMB'000
Within one year	<b>131,876</b>	284,434
Over one year but within two years	<b>11,295</b>	150
Over two years but within three years	<b>1,778</b>	—
	<b>144,949</b>	284,584

As at 30 June 2023, the expected credit losses (“ECLs”) are assessed collectively for receivables that were not credit-impaired and individually for credit-impaired trade receivables with an aggregate carrying amount of RMBNil (31 December 2022: RMBNil).



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

	<b>30 June 2023 (Unaudited) RMB'000</b>	31 December 2022 (Audited) RMB'000
Not past due	<b>131,876</b>	284,434
Past due within one year	<b>11,295</b>	150
Past due over one year but within two years	<b>1,778</b>	—
	<b>144,949</b>	284,584

Receivables that were not past due related to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due related to a number of independent customers that have a good track record with the Group.

The ECLs rate for the six months ended 30 June 2023 remained the same as the year ended 31 December 2022. Based on evaluation on ECLs rate and the carrying amount of trade receivables, the directors of the Company are of the opinion that the ECLs in respect of trade receivables are considered as immaterial.

As at 30 June 2023, 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, joint venture and the Company’s subsidiaries’ non-controlling shareholders and the non-controlling shareholders’ subsidiaries (the “**Other Related Parties**”) 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 analysed as follows:

	<b>30 June 2023 (Unaudited) RMB'000</b>	31 December 2022 (Audited) RMB'000
CNOOC group companies	<b>108,497</b>	42,130
Associates	<b>14,533</b>	1,089
Joint venture	—	344
Other Related Parties	—	1,200
	<b>123,030</b>	44,763

#### **14. BILLS RECEIVABLE**

The bills receivable of the Group as at 30 June 2023 and 31 December 2022 were all mature within twelve months.

As at 30 June 2023, the Group has transferred bills receivable 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 RMB244,053,000 (31 December 2022: RMB152,116,000). The Group has derecognised these bills receivable 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 2023, 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 RMB244,053,000 (31 December 2022: RMB152,116,000).

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

#### **15. PROPOSED DIVIDENDS**

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

During the six months ended 30 June 2023, a final dividend of RMB0.178 per share in respect of the year ended 31 December 2022 (six months ended 30 June 2022: a final dividend of RMB0.154 per share in respect of the year ended 31 December 2021) was declared and paid to the owners of the Company. The dividend declared and paid during the six months ended 30 June 2023 amounted to RMB820,580,000 (six months ended 30 June 2022: RMB711,138,000).

The board of directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: RMBNil).

## 16. 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:

	<b>30 June 2023 (Unaudited) RMB'000</b>	31 December 2022 (Audited) RMB'000
Within one year	1,125,630	1,283,080
Over one year but within two years	49,325	61,585
Over two years but within three years	2,442	415
Over three years	1,509	1,403
	<u>1,178,906</u>	<u>1,346,483</u>

As at 30 June 2023, the amounts due to the ultimate holding company, CNOOC group companies, associate, joint venture and Other Related Parties included in the above, which are unsecured, non-interest bearing and have no fixed repayment terms, can be analysed as follows:

	<b>30 June 2023 (Unaudited) RMB'000</b>	31 December 2022 (Audited) RMB'000
Ultimate holding company	178	1,285
CNOOC group companies	488,033	522,942
Associate	14	1
Joint venture	3,626	325
Other Related Parties	1,789	5,982
	<u>493,640</u>	<u>530,535</u>

## 17. DEEMED DISPOSAL OF A SUBSIDIARY

The Group has entered into an equity transaction agreement dated on 18 December 2022 with 中國石油天然氣股份有限公司 (transliterated as PetroChina Company Limited) (the “**Purchaser**”) to partially dispose of the Group’s 67% of equity interest in a subsidiary, CNOOC Tianye, which is under urea and methanol segments, at a net consideration of RMB154,082,000. The equity transaction was completed on 27 April 2023. Upon the completion of the equity transaction, the Group’s equity interests in CNOOC Tianye decreased from 92.27% to 25.27% and the directors of the Group determined that the Group had lost its practical ability to unilaterally direct the relevant activities of CNOOC Tianye. Accordingly, with effect from the date of completion of the equity transaction, the financial statements of CNOOC Tianye ceased to be consolidated in the condensed consolidated financial statements of the Group and the remaining equity interests of 25.27% in CNOOC Tianye held by the group are recognised as interests in associates. Gain on deemed disposal of a subsidiary of RMB852,397,000 was recognised for the period ended 30 June 2023.

The net liabilities of CNOOC Tianye at the date of disposal were as follows:

	<b>30 June 2023 (Unaudited) RMB'000</b>
Net liabilities disposed of:	
Property, plant and equipment	275,163
Prepaid lease payments	158,230
Inventories	27,470
Prepayments, deposits and other receivables	28,025
Cash and cash equivalents	13,086
Interest-bearing other borrowings	(761,105)
Trade payables	(251,093)
Contract liabilities	(33,082)
Other payables and accruals	(59,515)
Lease liabilities	(20,355)
Income tax payable	(4,429)
Deferred revenue	(5,429)
Other long-term liabilities	(2,613)
Deferred tax liabilities	(29,308)
	<u>(664,955)</u>
Non-controlling interests	46,952
Special reserve reclassified to profit or loss upon deemed disposal	(2,151)
Deemed interest in an associate	(78,161)
Net consideration received	<u>(154,082)</u>
	<u>(852,397)</u>
Satisfied by:	
Cash consideration received during the period	<u>154,082</u>
	<u>140,996</u>
Net cash inflow arising on deemed disposal	<u>140,996</u>

### (III) MANAGEMENT DISCUSSION AND ANALYSIS

#### 1. Sector Review

##### *Chemical fertiliser industry*

Food security is the “Top priorities of China” and the state emphasises on strengthening the protection of cultivated land and improving the quality of cultivated land. According to the Action Plan for Fertiliser Reduction by 2025, fertiliser reduction and efficiency improvement will continue to advance, and the pace of phasing out enterprises with backward or limited production capacity will be accelerated further in the industry.

In the first half of 2023, affected by the weak global economy, falling prices of raw materials, sufficient supply and falling prices of international chemical fertilisers, the overall domestic chemical fertiliser market has been weak and the price has been fluctuating and decreasing.

##### *(I) Urea*

In the first half of 2023, the domestic urea market showed a fluctuating downward trend. In the first quarter of the year, during the peak season of domestic agricultural demand, since the production of compound fertilizers started well, the demand for raw materials was high, and other industrial demand was also strong, supporting the price of urea to operate at a high level of RMB2,700 per tonne. In the second quarter of the year, the production of urea started and remained at a high level, with an average daily production of over 170 thousand tonnes, while the agricultural demand decreased, and the purchase was conducted based on rigid demand in respect of industrial demand. Coupled with the sharp decline in international market prices and poor exports, the overall demand was difficult to support the high level of urea. After April, the price of urea began to decline sharply, falling to the lowest in the first half of the year in mid-June, and the main production area fell by more than RMB700 per tonne. At the end of June, the domestic summer agricultural demand started intensively and the price of urea rebounded accordingly.

## *(II) Phosphate fertilisers*

In the first half of 2023, the phosphate fertiliser industry started stably, with sufficient supply during the spring farming period and a slight increase in price. After the end of the spring farming and fertiliser use in May, the prices dropped significantly. In the first quarter of the year, supported by the demand for the fertiliser preparation during spring farming, the domestic DAP market remained stable with a strong trend. The mainstream ex-factory price of DAP in Hubei was RMB3,800-RMB3,850 per tonne. In the second quarter of the year, due to the decrease in agricultural demand, coupled with the low cost and the downward trend of international prices, the price of DAP dropped rapidly from a high level. The mainstream ex-factory prices of MAP and DAP decreased by over RMB1,000 per tonne and RMB600 per tonne, respectively, from approximately RMB3,400 per tonne and approximately RMB3,800 per tonne in the beginning of the year, respectively, to RMB2,400 per tonne and RMB3,200 per tonne, respectively, at the end of June.

## ***Chemical industry***

In the first half of 2023, the prices of chemical products continued to fluctuate and fall. Affected by factors such as overall negative macroeconomic conditions, weak domestic and overseas demand, and weak cost support, the market price of chemical products showed a continuous downward trend. With the deterioration of macro expectations, the supply and demand side continued to be imbalanced, and the market price was deeply adjusted.

### *(I) Methanol*

According to industry statistics, in the first half of 2023, the domestic production volume of methanol decreased by 420 thousand tonnes or approximately 1.21% compared to the corresponding period of last year to approximately 35.01 million tonnes. According to customs data, the import volume was approximately 6.60 million tonnes, representing an increase of 590 thousand tonnes or 9.8% compared to the corresponding period of last year.

The overall methanol market prices fluctuated downward in the first half of the year. The market supply and demand were gradually loosened up during the first quarter of the year with methanol market prices rose at first and tailed off subsequently. In particular, the market prices in Guangdong ranged from RMB2,565 to RMB2,750 per tonne and the methanol prices in Inner Mongolia ranged from RMB2,135 to RMB2,365 per tonne. Due to the overall macro environment continued to be negative, gradually increasing import supply and insufficient cost support, market prices experienced downward fluctuations in the second quarter of the year. The market prices in Guangdong ranged from RMB2,020 to RMB2,665 per tonne and the methanol prices in Inner Mongolia ranged from RMB1,640 to RMB2,270 per tonne.

## *(II) Acrylonitrile*

In the first half of 2023, the price of acrylonitrile increased in the early period and fluctuated downward in the later period. At the beginning of the year, with the slight increase in the price of raw material propylene and the resumption of downstream production after the holiday season, the acrylonitrile industry ushered in a slight recovery. After that, affected by factors such as the commencement of production of new facilities, the decline in raw materials price and the weak demand, the acrylonitrile market fell back. In May, the cost support and demand further weakened, and the price of acrylonitrile showed a rapid downward trend. At the end of June, the market price of acrylonitrile stood at RMB7,887 per tonne, representing a decrease of 17.84% from RMB9,600 per tonne at the beginning of the year, and a decrease of 26.97% from the peak of RMB10,800 per tonne in February.

## **2. Business Review**

During the reporting period, the Company continued to strengthen production control and safety management, and the situation of safety and production was generally stable and positive. The Company's main facilities have achieved long-term operation. In particular, the C series sulfuric acid of Hubei Dayukou Chemical Limited\* (湖北大峪口化工有限責任公司, “**Dayukou Chemical**”) achieved long-term running for 301 days, and CNOOC Huahe Coal Chemical Limited\* (中海石油華鶴煤化有限公司, “**CNOOC Huahe**”) chemical fertiliser plant achieved long-term running for 228 days, both breaking historical records. The operation rate of the CNOOC Huahe's urea plant reached 131%, and the urea production volume hit a record high accordingly. As a result, the Company produced 1.044 million tonnes of urea, 687 thousand tonnes of methanol, 401 thousand tonnes of phosphate fertilisers and compound fertilisers in the first half of the year.

During the first half of 2023, facing the severe market situation, the Company accurately judged the market and strengthened refined pricing, fully promoted the export of chemical fertilisers during off-season and focused on the development of high-quality trade, deepened its brand building and actively established itself as a “Plant Nutrition Solution Provider”. In the first half of the year, the Company sold 1.045 million tonnes of urea, 655 thousand tonnes of methanol and 352 thousand tonnes of phosphate fertilisers and compound fertilisers.

The acrylonitrile project steadily advanced trial operation, producing 57,000 tonnes of acrylonitrile and relating products in the first half of the year. The equity interests transfer transaction of CNOOC Tianye was successfully completed.

In the first half of 2023, the Company continued to implement the national “dual carbon” work requirements, implemented the green and low-carbon development strategy, explored the development opportunities of the green methanol industry, and reached cooperation consensus with downstream enterprises such as China COSCO Shipping Corporation Limited (中國遠洋海運集團), Zhejiang Geely Holding Group Co., Ltd. (浙江吉利控股集團) and Shanghai Yazuishou Supply Chain Management Co.,Ltd.\* (上海鴨嘴獸供應鏈管理有限公司). The Company continued to maintain its position as an industry leader in terms of energy efficiency indicators, and the overall performance of energy conservation and emission reduction indicators was good.

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					
	2023			2022		
	Production	Sales	Utilisation	Production	Sales	Utilisation
Chemical fertilisers	volume	volume	rate	volume	volume	rate
	(tonnes)	(tonnes)	(%)	(tonnes)	(tonnes)	(%)
<b>Urea</b>						
Fudao Phase I	288,492	280,033	111.0	273,664	277,309	105.3
Fudao Phase II	414,717	402,433	103.7	324,407	334,432	81.1
CNOOC Huahe	340,707	362,527	131.0	310,945	337,397	119.6
Group total	<u>1,043,916</u>	<u>1,044,993</u>	<u>113.5</u>	<u>909,015</u>	<u>949,139</u>	<u>98.8</u>
<b>Phosphate fertilisers and compound fertilisers</b>						
DYK MAP	20,885	23,135	27.8	45,542	45,843	60.7
DYK DAP Phase I (Note 1)	179,561	173,208	102.6	185,272	209,483	105.9
DYK DAP Phase II	200,868	155,629	80.3	291,400	259,796	116.6
Group total	<u>401,314</u>	<u>351,972</u>	<u>80.3</u>	<u>522,214</u>	<u>515,122</u>	<u>104.4</u>
<b>Chemical products</b>						
<b>Methanol</b>						
Hainan Phase I	296,083	284,073	98.7	336,023	316,768	112.0
Hainan Phase II	390,580	370,617	97.6	437,434	405,393	109.4
Group total	<u>686,663</u>	<u>654,690</u>	<u>98.1</u>	<u>773,457</u>	<u>722,161</u>	<u>110.5</u>

Note 1: In the first half of 2023, the DYK DAP Phase I Plant produced 0 tonnes of DAP and 179,561 tonnes of compound fertilisers, amounting to 179,561 tonnes in total, and sold 8,095 tonnes of DAP and 165,113 tonnes of compound fertilisers, amounting to 173,208 tonnes in total. 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.



## ***BB fertilisers***

In the first half of 2023, the Group produced a total of 11,372 tonnes of BB fertilisers with a sales volume of 13,199 tonnes.

### **3. Financial Review**

#### ***Revenue and gross profit***

During the reporting period, the Group's revenue was RMB6,175.7 million, representing a decrease of RMB1,195.1 million, or 16.2%, from that of RMB7,370.8 million in the corresponding period of 2022. This was primarily attributable to the year-on-year decrease in the selling prices of urea, methanol and phosphate and compound fertilisers of the Group.

During the reporting period, the Group realised an external revenue from urea of RMB2,520.0 million, representing an increase of RMB33.6 million, or 1.4%, from that of RMB2,486.4 million in the corresponding period of 2022. This was primarily attributable to (1) an increase of 95,855 tonnes in the sales volume of urea, which increased the revenue by RMB251.1 million; and (2) a decrease of RMB208.2 per tonne in the selling price of urea, which decreased the revenue by RMB217.5 million and partially offset the above increase.

During the reporting period, the Group realised an external revenue from phosphate fertilisers and compound fertilisers of RMB1,193.6 million, representing a decrease of RMB588.3 million, or 33.0%, from that of RMB1,781.9 million in the corresponding period of 2022. This was primarily attributable to (1) a decrease of RMB67.9 per tonne in the selling price of phosphate and compound fertilisers, which decreased the revenue by RMB23.9 million; and (2) a decrease of 163,150 tonnes in the sales volume of phosphate and compound fertilisers, which decreased the revenue by RMB564.4 million.

During the reporting period, the Group realised an external revenue from methanol of RMB1,400.0 million, representing a decrease of RMB338.1 million, or 19.5%, from that of RMB1,738.1 million in the corresponding period of 2022. This was primarily attributable to (1) a decrease of RMB268.5 per tonne in the selling price of methanol, which decreased the revenue by RMB175.7 million; and (2) a decrease of 67,477 tonnes in the sales volume of methanol, which decreased the revenue by RMB162.4 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 acrylonitrile, POM, BB fertilisers and liquid ammonia) of RMB1,062.1 million, representing a decrease of RMB302.3 million, or 22.2%, from that of RMB1,364.4 million in the corresponding period of 2022. This was primarily attributable to (1) an increase of RMB230.6 million in revenue due to the kick off of the operation of the acrylonitrile; (2) an increase of RMB65.3 million in revenue from POM due to the increase in its sales volume albeit a decrease in its price this year; (3) an increase of RMB2.5 million in revenue from BB fertilisers due to their increased sales volume albeit a decrease in their price; (4) a decrease of RMB584.3 million in revenue from the trading business this year as compared to same period of 2022 due to the decrease in trading volume of the Company; (5) a decrease of RMB16.0 million in revenue from the sales of liquid ammonia, formaldehyde and carbon dioxide, etc., and (6) a decrease of RMB0.3 million in revenue due to cargo handling and transportation volumes of Basuo Port.

During the reporting period, the Group's gross profit was RMB1,063.6 million, representing a decrease of RMB344.4 million, or 24.5%, from that of RMB1,408.0 million in the corresponding period of 2022. This was primarily attributable to (1) an increase of RMB157.2 million in gross profit of urea due to a decrease in its sales price offset by an increase in its production and sales volume, as well as a decrease in its cost; (2) an increase of RMB5.9 million in gross profit of POM due to an increase in its sales volume albeit a decrease in its price; (3) a decrease of RMB318.5 million in the gross profit of methanol due to a decrease in its production and sales volume arising from the overhaul of methanol plant, as well as an increase in its cost coupled with a decline in its prices; (4) a decrease of RMB53.0 million in gross profit of phosphate and compound fertilisers due to a decline in their prices and a decrease in their sales volume; (5) a decrease of RMB88.9 million in gross profit of the acrylonitrile; (6) a decrease of RMB23.6 million in gross profit of the trading; and (7) a decrease of RMB23.5 million in gross profit of other segments.

#### ***Other income and other gains and losses***

During the reporting period, the Group's other income was RMB57.5 million, representing an increase of RMB24.8 million, or 75.6%, from that of RMB32.7 million in the corresponding period of 2022. This was primarily attributable to (1) a year-on-year increase of RMB19.1 million in receipts of each government grants; (2) an increase of RMB4.5 million in gain from the wealth management products; (3) an increase of RMB1.6 million in sales of material.

During the reporting period, the Group's other gains and losses amounted to RMB45.2 million, representing an increase of RMB10.6 million, or 30.4%, from that of RMB34.6 million in the corresponding period of 2022. This was primarily attributable to a gain of RMB44.6 million on maturity of wealth management products during the first half of the year, compared to RMB33.7 million in the previous year.

### ***Selling and distribution costs***

During the reporting period, the Group's selling and distribution costs amounted to RMB47.2 million, representing a decrease of RMB11.9 million, or 20.2%, from that of RMB59.1 million in the corresponding period of 2022. This was primarily attributable to (1) a decrease of RMB8.3 million in sales fees due to the decrease in sales volume; and (2) a decrease of RMB3.6 million in sales agent fees.

### ***Administrative expenses***

During the reporting period, the Group's administrative expenses amounted to RMB272.7 million, representing an increase of RMB21.3 million, or 8.5%, from that of RMB251.4 million in the corresponding period of 2022. This was primarily attributable to (1) an increase of RMB15.2 million in staff costs; (2) a decrease of RMB4.4 million in taxes and surcharges; (3) an increase of RMB6.9 million in travel fees, property fees, safety and environmental protection fees.

### ***Other expenses***

During the reporting period, the Group's other expenses amounted to RMB3.6 million, representing a decrease of RMB17.0 million, or 82.5%, from that of RMB20.6 million in the corresponding period of 2022. This was primarily attributable to a decrease of RMB17.1 million in external donations.

### ***Finance income and finance costs***

During the reporting period, the Group's finance income amounted to RMB161.5 million (of which finance income from sizable certificate of deposit business amounted to RMB152.8 million), representing an increase of RMB9.3 million from that of RMB152.2 million (of which finance income from sizable certificate of deposit business amounted to RMB144.2 million) in the corresponding period of 2022.

During the reporting period, the Group's finance costs amounted to RMB10.0 million, representing a decrease of RMB3.6 million from that of RMB13.6 million in the corresponding period of 2022. Such decrease in finance costs was due to the reduction in the financings of CNOOC Huahe and Dayukou Chemical.

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

### ***Net exchange losses***

During the reporting period, the Group recorded net exchange losses of RMB13.2 million, representing an increase in loss of RMB9.7 million from net exchange gains of RMB3.5 million in the corresponding period of 2022. It was mainly the exchange losses arising from the Company's dividend transactions and export forward letter of credit receipts attributable to exchange rate fluctuations.

### ***Gain on disposal of some of subsidiaries***

During the reporting period, the Group recorded a gain of RMB852.4 million from the disposal of 67% equity interest in CNOOC Tianye.

### ***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 RMB0.8 million, representing a decrease of RMB1.0 million, or 56.9%, from that of RMB1.8 million in the corresponding period of 2022. This was primarily attributable to (1) the recognition of a decrease of RMB0.6 million in the investment income in Guizhou Jinlin Chemical Co., Ltd. (貴州錦麟化工有限責任公司) for the year; (2) the recognition of a decrease of RMB1.0 million in the investment income in United Wealthfert Co., Ltd. (聯合惠農農資(北京)有限公司) for the year; (3) the recognition of a year-on-year increase of RMB0.7 million in the investment income in CBC (Canada) Holding Corp.

### ***Income tax expenses***

During the reporting period, the Group's income tax expenses amounted to RMB114.9 million, representing a decrease of RMB135.0 million from that of RMB249.9 million in the corresponding period of 2022. This was primarily attributable to (1) excluding the impact of the disposal of equity interests in CNOOC Tianye on the consolidated profit, a year-on-year decrease in operating profit before tax recorded by the Group for the year, which resulted in a corresponding decrease of RMB52.1 million in current income tax expenses; and (2) a decrease of RMB82.9 million in deferred income tax expenses (deferred income tax assets with future loss carry-forwards arising from the loss of equity interests due to the completion of the disposal of equity interests in CNOOC Tianye by the Company in the first half of the year).

### *Net profit for the period*

During the reporting period, the Group's net profit was RMB1,725.5 million, representing an increase of RMB679.5 million, or 65.0%, as compared with that of RMB1,046.0 million for the corresponding period of 2022.

### *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 2023. During the reporting period, the Company made dividend payments for 2022 in cash in the total amount of RMB820.6 million.

### *Capital expenditures*

During the reporting period, the Group had total capital expenditures of RMB172.4 million, including RMB142.3 million for construction of the midstream and downstream projects, RMB3.6 million for base construction (production accessories), RMB12.7 million for technical renovation projects, RMB10.9 million for energy conservation, safety and environmental protection projects, RMB0.4 million for informatization construction and electronic office equipment and RMB2.5 million for technology research (capital expenditures) projects.

The key projects mainly included: (1) the expenditure of the acrylonitrile project of the Company in the amount of RMB86.3 million; (2) the expenditure of the underground mining engineering project of Dayukou Chemical with an annual phosphate ore output of 1.60 million tonnes in the amount of RMB22.7 million; (3) the expenditure of the extension project below the -80m level of middle section of Dayukou Chemical's mining in the amount of RMB15.5 million.

### *Pledge of assets*

As at 30 June 2023, 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 relatively high 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 2023, the Group had total interest-bearing liabilities of RMB2,000 million, of which RMB210 million were fixed-rate liabilities and the remaining were floating-rate liabilities. The gearing ratio of the Group as at 30 June 2023 (calculated as interest-bearing liabilities divided by the sum of equity and interest-bearing liabilities) was 9.7%.

### ***Cash and cash equivalents***

At the beginning of 2023, the Group had cash and cash equivalents of RMB528.8 million. For the first half of 2023, net cash inflow from operating activities was RMB378.5 million, net cash inflow from investing activities was RMB1,011.8 million, net cash outflow from financing activities was RMB854.9 million, and the increase in cash and cash equivalents due to the effect of foreign exchange rate changes was RMB0.1 million. As at 30 June 2023, the Group's cash and cash equivalents were RMB1,064.4 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 of 30 June 2023, the Group had a total of 4,067 employees, and the total remuneration and allowances of employees amounted to approximately RMB250.3 million for the first half of 2023. 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 mechanism effectively provides incentive to its staff. The Company determines staff remuneration according to their positions, performances and capabilities.

As of 30 June 2023, the Company strictly followed the annual training plan with a total of 48,930 enrolments and a total of 145,558 training hours. The Company also organised a total of 4,788 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 61,511 enrolments and 158,842 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 6.7130 and 7.2258. 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 2023, the balance of the Group's deposits in USD was US\$1.5 million.

### ***Inflation and currency risk***

According to the National Bureau of Statistics of China, the consumer price index of the PRC increased by 0.7% year-on-year 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.

During the reporting period, the disposal of 67% equity interest in CNOOC Tianye was completed. On 22 February 2023, the Company received the transaction certificate of state-owned assets in relation to 67% equity interest in CNOOC Tianye issued by China Beijing Equity Exchange. On 24 February 2023, the Company received all the transaction price. On 27 April 2023, the transfer of management rights was completed. On 29 June 2023, the change of industrial and commercial registration was completed, and CNOOC Tianye was renamed as PetroChina (Inner Mongolia) New Material Co., Ltd.\* (中石油(內蒙古)新材料有限責任公司), owned as to 67%, 25.27% and 7.73% by PetroChina Company Limited (中國石油天然氣股份有限公司), the Company and Inner Mongolia Financial Investment Group Co., Ltd.\* (內蒙古金融投資集團有限公司), respectively.

During the reporting period, the proposed disposal of approximately 79.98% equity interests held by the Company in Dayukou Chemical was terminated. Please refer to the announcement of the Company dated 29 June 2023 for details.

During the reporting period, the 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) was terminated. Please refer to the announcement of the Company dated 28 March 2023 for details.

## **4. Sector Outlook**

In the second half of 2023, the net domestic urea supply will be flat year-on-year or slightly increase, and the domestic supply and demand will be basically balanced. It is expected that the overall domestic urea market will show a trend of oscillation in the second half of the year, and the price will show periodic improvement during the period when demand is concentrated. In the second half of the year, the excessive phosphate fertilisers supply over demand is expected to continue, the market supply will be relatively loosen up, and the cost support will further decline as the price of raw materials declines. The price may continue to find a market bottom, thereby, which will be sensitive to the international market conditions and the price trend of raw materials. In the second half of the year, against the backdrop of stable economic growth in China, the oversupply of methanol will be alleviated. Under the situation of expected improvement in the macro views, it is expected that the market will mainly present a sharply volatile trend, which will be highly sensitive to impacts of the seasonal demand and supply of downstream industries, the crude oil prices and methanol futures on the market. In the first half of the year, the price of acrylonitrile fell sharply and the industry was almost not profitable. In the second half of the year, with the support of raw materials and demand, the market price of acrylonitrile may stop falling and stabilise, and the price may rise to a certain extent.



## 5. Our Key Tasks in the second half of 2023

1. To continue to enhance the safe and stable operation of production plants, and complete the new HSE management system;
2. To continue to optimise the business models, comprehensively strengthen brand building, and continue to leverage the marketing efficiency;
3. Comprehensively strengthen warehouse management and give full play to the advantage of inventory premium;
4. Promote the analysis of digital scenarios in areas such as smart factory, smart terminal and smart sale;
5. Focus on the construction of terminals in Basuo Port to promote the development of international trade and port logistics service industry; and
6. Actively deploy the clean energy industry 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 2023. The Group's unaudited interim results for the six months ended 30 June 2023 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 2023, 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 2023, 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 2023, 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 2023 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, 19 August 2023

*As at the date of this announcement, the executive directors of the Company are Mr. Hou Xiaofeng and Mr. Li Ruiqing, 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*