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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 2024**

FINANCIAL HIGHLIGHTS

1. Revenue amounted to RMB6,007 million
2. Gross profit amounted to RMB1,003 million
3. Profit attributable to owners of the Company amounted to RMB687 million
4. Basic earnings per share was RMB0.15

(I) UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS***For the six months ended 30 June 2024*

		Six months ended	
		30 June 2024	30 June 2023
		(Unaudited)	(Unaudited)
	<i>Notes</i>	RMB '000	RMB '000
Revenue	4	6,006,640	6,175,701
Cost of sales		(5,003,497)	(5,112,084)
Gross profit		1,003,143	1,063,617
Other income	4	32,550	57,476
Other gains and losses, net	5	2,019	603
Selling and distribution costs		(39,963)	(47,168)
Administrative expenses		(281,526)	(272,738)
Other expenses		(2,572)	(3,611)
Change in fair value of financial assets at fair value through profit or loss		40,791	50,708
Finance income		172,631	161,454
Finance costs		(27,023)	(9,957)
Written off impairment loss	6	177	–
Exchange losses, net		(5,921)	(13,183)
Gain on disposal of a subsidiary		–	852,397
Share of profits/(losses) of joint ventures		3,036	(499)
Share of profits of associates		1,377	1,259
Profit before income tax	6	898,719	1,840,358
Income tax expense	7	(155,345)	(114,885)
Profit for the period		743,374	1,725,473
Profit for the period attributable to:			
Owners of the Company		686,827	1,715,398
Non-controlling interests		56,547	10,075
		743,374	1,725,473
Earnings per share attributable to owners of the Company			
– Basic and diluted for the period (<i>RMB per share</i>)	8	0.15	0.37

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Six months ended	
	30 June	30 June
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit for the period	<u>743,374</u>	<u>1,725,473</u>
Other comprehensive income for the period, net of tax		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	41	106
Share of other comprehensive loss of joint ventures	(4,276)	(340)
Share of other comprehensive income of associates	<u>—</u>	<u>40</u>
Other comprehensive loss for the period	<u>(4,235)</u>	<u>(194)</u>
Total comprehensive income for the period	<u>739,139</u>	<u>1,725,279</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	682,592	1,715,204
Non-controlling interests	<u>56,547</u>	<u>10,075</u>
	<u>739,139</u>	<u>1,725,279</u>
	<u><u>739,139</u></u>	<u><u>1,725,279</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

		30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
	<i>Notes</i>		
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		7,049,419	7,142,912
Mining rights		127,587	128,113
Prepaid lease payments	9	338,043	342,775
Investment properties		66,733	68,979
Intangible assets		139,412	152,565
Interests in joint ventures	10	292,170	293,905
Interests in associates	11	125,516	126,162
Financial asset at fair value through other comprehensive income		600	600
Deferred tax assets		156,615	155,122
Other long-term prepayments for property, plant and equipment		68,811	121,168
Loan receivable	12	208,379	208,408
		8,573,285	8,740,709
CURRENT ASSETS			
Inventories		1,022,998	974,450
Trade receivables	13	124,905	56,513
Bills receivable	14	153,485	207,144
Contract assets		25,838	20,188
Prepayments, deposits and other receivables		854,026	890,414
Financial assets at fair value through profit or loss		2,109,251	2,893,726
Value-added tax recoverable		125,836	226,814
Pledged bank deposits		11,707	10,119
Time deposits with original maturity over three months		10,400,000	9,700,000
Cash and cash equivalents		719,000	597,269
		15,547,046	15,576,637
TOTAL ASSETS		24,120,331	24,317,346

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*At 30 June 2024*

		30 June	31 December
		2024	2023
		(Unaudited)	(Audited)
	<i>Notes</i>	RMB'000	RMB'000
EQUITY			
CAPITAL AND RESERVES			
Issued capital		4,610,000	4,610,000
Reserves		13,419,392	12,736,800
Proposed dividends	<i>15</i>	<u>—</u>	<u>954,270</u>
Equity attributable to owners of the Company		18,029,392	18,301,070
Non-controlling interests		1,075,382	<u>1,106,088</u>
TOTAL EQUITY		<u>19,104,774</u>	<u>19,407,158</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Employee benefits liability		238,437	258,192
Interest-bearing bank and other borrowings		1,638,002	1,349,275
Lease liabilities		37,720	10,491
Deferred tax liabilities		17,375	16,430
Deferred revenue		129,995	129,937
Other long-term liabilities		1,789	<u>1,789</u>
		<u>2,063,318</u>	<u>1,766,114</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*At 30 June 2024*

		30 June	31 December
		2024	2023
		(Unaudited)	(Audited)
	<i>Notes</i>	RMB'000	RMB'000
CURRENT LIABILITIES			
Trade payables	<i>16</i>	1,104,440	1,138,388
Contract liabilities		429,444	610,135
Other payables and accruals		744,349	640,911
Interest-bearing bank and other borrowings		560,062	651,691
Lease liabilities		25,920	9,995
Income tax payable		88,024	92,954
		<u>2,952,239</u>	<u>3,144,074</u>
TOTAL LIABILITIES		<u>5,015,557</u>	<u>4,910,188</u>
TOTAL EQUITY AND LIABILITIES		<u>24,120,331</u>	<u>24,317,346</u>
NET CURRENT ASSETS		<u>12,594,807</u>	<u>12,432,563</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>21,168,092</u>	<u>21,173,272</u>
NET ASSETS		<u>19,104,774</u>	<u>19,407,158</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 acrylonitrile (“**AN**”).

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 D2 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 2024 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2023.

The IASB has issued new or amended International Financial Reporting Standard (“**IFRS Accounting Standards**”) that is first effective on 1 January 2024 and is therefore applicable for the current accounting period of the Group.

Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IFRS 16	Lease liability in a Sale and Leaseback
Amendments to IAS 7 and IFRS 7	Supplier Financial Arrangements

The new or amended IFRS Accounting standards 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:

- i. the urea segment is engaged in the manufacture and sale of urea;
- ii. the phosphorus and compound fertiliser segment is engaged in the manufacture and sale of MAP, DAP and compound fertiliser;
- iii. the methanol segment is engaged in the manufacture and sale of methanol;
- iv. the acrylonitrile segment is engaged in the manufacture and sale of acrylonitrile and relating products; and
- v. 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, net, other expenses, change in fair value of financial assets at fair value through profit or loss ("FVTPL"), gain on disposal of a subsidiary, share of results of associates and joint ventures and income tax expense, 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	Acrylonitrile	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>	<i>RMB'000</i>
Six months ended 30 June 2024							
(Unaudited)							
Segment revenue							
Sales to external customers	2,102,435	1,336,512	1,478,553	824,910	264,230	–	6,006,640
Inter-segment sales	–	–	–	–	88,137	(88,137)	–
	<u>2,102,435</u>	<u>1,336,512</u>	<u>1,478,553</u>	<u>824,910</u>	<u>352,367</u>	<u>(88,137)</u>	<u>6,006,640</u>
Total							
Segment profit/(loss) before income tax expense	<u>372,632</u>	<u>81,232</u>	<u>314,302</u>	<u>12,193</u>	<u>(66,155)</u>	<u>–</u>	<u>714,204</u>
Interest and unallocated income							215,441
Corporate and other unallocated expenses							(29,418)
Exchange losses, net							(5,921)
Share of profits of joint ventures							3,036
Share of profits of associates							<u>1,377</u>
Profit before income tax							<u><u>898,719</u></u>

	Urea	Phosphorus and compound fertiliser	Methanol	Acrylonitrile	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>	<i>RMB'000</i>
Six months ended 30 June 2023							
(Unaudited)							
Segment revenue							
Sales to external customers	2,520,008	1,193,639	1,399,979	230,622	831,453	–	6,175,701
Inter-segment sales	–	–	–	–	85,174	(85,174)	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>2,520,008</u>	<u>1,193,639</u>	<u>1,399,979</u>	<u>230,622</u>	<u>916,627</u>	<u>(85,174)</u>	<u>6,175,701</u>
Segment profit/(loss) before income tax expense	<u>549,733</u>	<u>46,914</u>	<u>297,231</u>	<u>(69,215)</u>	<u>(23,476)</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 disposal of a subsidiary							<u>852,397</u>
Profit before income tax							<u><u>1,840,358</u></u>

4. REVENUE AND OTHER INCOME

An analysis of revenue and other income is as follows:

	Six months ended	
	30 June 2024 (Unaudited) RMB'000	30 June 2023 (Unaudited) RMB'000
Revenue		
Sale of goods, recognised at a point in time*	5,840,931	5,986,489
Render of services, recognised over time*	165,709	189,212
	<u>6,006,640</u>	<u>6,175,701</u>
Other income		
Income from sale of other materials, recognised at a point in time*	5,012	12,946
Income from render of other services, recognised over time*	2,687	236
Gross rental income	1,278	442
Government grants [^]	20,625	35,206
Indemnities received	1,171	960
Sundry income	1,777	7,686
	<u>32,550</u>	<u>57,476</u>

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

[^] There are no unfulfilled conditions attaching to the government grants.

5. OTHER GAINS AND LOSSES, NET

	Six months ended	
	30 June 2024 (Unaudited) RMB'000	30 June 2023 (Unaudited) RMB'000
Gain on disposal of property, plant and equipment	<u>2,019</u>	<u>603</u>

6. PROFIT BEFORE INCOME TAX

The Group's profit before income tax for the period is arrived at after charging/(crediting):

	Six months ended	
	30 June 2024 (Unaudited) RMB'000	30 June 2023 (Unaudited) RMB'000
Cost of inventories sold	4,867,848	4,889,260
(Reversal of write-down)/write-down of inventories	(2,711)	67,793
Cost of services provided	138,360	155,031
	<u>5,003,497</u>	<u>5,112,084</u>
Cost of sales recognised as expenses		
Depreciation and amortisation*:		
Depreciation of property, plant and equipment		
– Owned property, plant and equipment	332,150	244,259
– Right-of-use assets included:		
– Buildings	12,056	8,321
– Motor vehicles	239	–
Amortisation of mining rights	526	466
Amortisation of prepaid lease payments	4,732	4,806
Amortisation of investment properties	2,246	3,583
Amortisation of intangible assets	10,907	6,389
	<u>362,856</u>	<u>267,824</u>
Written off impairment loss on trade receivables (<i>Note 13</i>)	<u>(177)</u>	<u>–</u>

* Depreciation and amortisation included in “cost of sales”, “selling and distribution costs” and “administrative expenses” amounting to approximately RMB328,930,000 (six months ended 30 June 2023: RMB231,014,000), RMB542,000 (six months ended 30 June 2023: RMB2,564,000) and RMB33,384,000 (six months ended 30 June 2023: RMB34,246,000) respectively in the condensed consolidated statement of profit or loss.

7. INCOME TAX EXPENSE

	Six months ended	
	30 June 2024 (Unaudited) RMB'000	30 June 2023 (Unaudited) RMB'000
Current tax		
PRC Enterprise Income Tax	151,845	199,411
Under-provision in prior year	4,048	448
	<u>155,893</u>	<u>199,859</u>
Deferred tax	(548)	(84,974)
	<u>155,345</u>	<u>114,885</u>
Total income tax expense	155,345	114,885

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 PRC (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 2024 and 2023.

8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	Six months ended	
	30 June 2024 (Unaudited) RMB'000	30 June 2023 (Unaudited) RMB'000
Earnings		
Profit for the period attributable to owners of the Company	686,827	1,715,398
	<u>686,827</u>	<u>1,715,398</u>

	Six months ended	
	30 June 2024 (Unaudited) '000	30 June 2023 (Unaudited) '000
Shares		
Number of shares in issue during the period	4,610,000	4,610,000

The Group had no potential dilutive ordinary shares in issue during the six months ended 30 June 2024 and 2023.

9. PREPAID LEASE PAYMENTS

The Group did not acquire land use right during the six months ended 30 June 2024 and 2023.

10. INTERESTS IN JOINT VENTURES

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Cost of interests in joint ventures	266,199	266,199
Share of post-acquisition profits and other comprehensive income, net of dividends received	25,971	27,706
	292,170	293,905

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	31 December	
				2024 %	2023 %	
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 service
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

11. INTERESTS IN ASSOCIATES

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Cost of interests in associates	123,179	123,179
Share of post-acquisition profits and other comprehensive income, net of dividends received	2,337	2,983
	125,516	126,162

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	31 December	
				2024 %	2023 %	
中石油(內蒙古)新材料有限責任公司 (transliterated as PetroChina (Inner Mongolia) New Material Company Limited) (“New Material Company”)	PRC 18 December 2000	RMB2,272,856	Direct	25.27	25.27	Manufacturing and sale of fertilisers 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
廣西惠多利農業科技有限公司 (transliterated as Guangxi Huiduoli Agricultural Technology Company Limited) (“Guangxi Huiduoli”)	PRC 11 January 2003	RMB30,000	Indirect	34.00	34.00	Trading of fertilisers and chemicals

12. LOAN RECEIVABLE

Loan receivable comprises of:

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Unsecured loan		
– principal	208,252	208,252
– interest	127	156
	<u>208,379</u>	<u>208,408</u>

The Group’s loan receivable is due from an associate, New Material Company, and denominated in RMB. The loan receivable is unsecured, interest-bearing at 2.2% 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:

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Over one year but within two years	208,379	–
Over two years but within three years	–	208,408
	208,379	208,408

13. TRADE RECEIVABLES

Sales of the Group's fertilisers and chemicals including urea, methanol, acrylonitrile, 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.

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Trade receivables	124,905	56,513

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 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Within one year	114,040	47,122
Over one year but within two years	851	1,265
Over two years but within three years	8,564	8,126
Over three years	1,450	–
	124,905	56,513

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

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Not past due	114,040	47,122
Past due within one year	851	1,265
Past due within two years	8,564	8,126
Past due within three years	1,450	—
	<u>124,905</u>	<u>56,513</u>

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.

As at 30 June 2024, 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 RMB800,000 (31 December 2023: RMB977,000). The ECLs rate for the six months ended 30 June 2024 remained the same as the year ended 31 December 2023. 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.

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

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Balance at beginning of the period/year	977	—
(Written off)/provision of impairment loss	(177)	977
	<u>800</u>	<u>977</u>

As at 30 June 2024, 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**”), ultimate holding company, 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 analysed as follows:

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
CNOOC group companies	64,705	29,225
Ultimate holding company	–	8,568
Associates	35,620	11,456
Joint ventures	1,220	840
	<u>101,545</u>	<u>50,089</u>

14. **BILLS RECEIVABLE**

The bills receivable of the Group as at 30 June 2024 and 31 December 2023 all mature within twelve months.

As at 30 June 2024, 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 RMB128,272,000 (31 December 2023: RMB247,924,000). 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 2024, 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 RMB128,272,000 (31 December 2023: RMB247,924,000).

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 IFRS Accounting Standards.

During the six months ended 30 June 2024, a final dividend of RMB0.207 per share in respect of the year ended 31 December 2023 (six months ended 30 June 2023: a final dividend of RMB0.178 per share in respect of the year ended 31 December 2022) was declared and paid to the owners of the Company. The dividend declared and paid during the six months ended 30 June 2024 amounted to RMB954,270,000 (six months ended 30 June 2023: RMB820,580,000).

The board of directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: 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:

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Within one year	1,073,618	1,096,734
Over one year but within two years	27,708	35,508
Over two years but within three years	823	5,367
Over three years	2,291	779
	<u>1,104,440</u>	<u>1,138,388</u>

As at 30 June 2024, the amounts due to the CNOOC group companies, associates, joint ventures 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 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
CNOOC group companies	356,114	359,937
Associates	887	3,474
Joint ventures	3,249	–
Other Related Parties	4,652	5,646
	<u>364,902</u>	<u>369,057</u>

(III) MANAGEMENT DISCUSSION AND ANALYSIS

a. Sector Review

Chemical fertiliser industry

“Food stabilises the world, while agriculture stabilises a country,” thus to ensure food security is “the top priority” of China’s development. Since the first half of the year, impacted by the domestic supply and demand fundamentals and relevant policies, the domestic fertiliser market first suppressed and then rose generally.

(I) Urea

With urea market fluctuations in the first half of the year, the prices in the first quarter were mainly downward, while in the second quarter, prices began to rise sharply. In the first quarter, farmers’ motivation to purchase fertiliser was reduced even during the spring ploughing season as the grain prices had continued to fall since the fourth quarter of 2023, and the release of market demand was not concentrated. Consequently, the market prices of urea fluctuated and fell. In the second quarter, with the gradual release of industrial and agricultural demands, the support from market was stronger, and the market prices of urea also rose. In the first half of the year, the average market price of urea was RMB2,395 per tonne, down RMB264 per tonne compared with last year, representing a drop of approximately 10%.

(II) Phosphate fertilisers

The market prices of phosphate fertilisers remained relatively high in the first half of the year, with little year-on-year decline.

In the first half of the year, the average market price of MAP in the domestic market was RMB3,053 per tonne, representing a year-on-year decline of 0.72%. In the first quarter, affected by the insufficient operating rate of compound fertilisers, the MAP market ran weakly, and the prices fluctuated and dropped. In the second quarter, the MAP prices showed a trend of first fell and then rose. With the collective push of the tight market supply and the rising operating rate of downstream compound fertilisers, the MAP prices continued to rise after May, from the low point of approximately RMB2,800 per tonne to approximately RMB3,200 per tonne.

In the first half of the year, the average price of DAP in the domestic market was RMB3,651 per tonne, representing a year-on-year decline of 0.49%. In the first quarter, with the spring ploughing season underway, domestic sales demand was strong, and the prices remained stable supported by demand and exports. In the second quarter, although the domestic market demand for corn fertilisers in the summer was limited for DAP, the domestic DAP prices remained relatively stable with the support of favourable export and international markets.

Chemical industry

In the first half of 2024, international crude oil prices continued to be strong, driving the prices of major chemicals to rise generally. With the overall industrial chain demand repaired, the prices in the chemical industry fluctuated and ran strong.

(I) Methanol

In the first half of the year, domestic methanol production was about 39.36 million tonnes, with an increase of 4.35 million tonnes compared with the same period last year, representing an increase of about 12.4% year-on-year. While imports of methanol were about 6.37 million tonnes, representing a decrease of 0.33 million tonnes, i.e. 4.9% as compared with the same period last year.

In the first half of the year, the overall methanol market prices showed a trend of going up and coming down, and the price realisation of methanol was relatively good. In the first quarter, methanol prices continued to move upwards as overseas demand prices rose and imports declined beyond expectations, with Guangdong market prices running in the range of RMB2,380 to RMB2,685 per tonne and Inner Mongolia methanol prices running in the range of RMB1,905 to RMB2,075 per tonne. In the second quarter, methanol import prices rose and coal prices rebounded to form cost support, together with rising oil prices and futures prices and import arrivals less than expected and other factors, the market prices ran strong. While later, the maintenance in downstream olefin plants affected the demand for methanol, and the market price fell back, with Guangdong market prices running in the range of RMB2,520 to RMB2,760 per tonne, and Inner Mongolia prices running in the range of RMB2,060 to RMB2,440 per tonne.

(II) Acrylonitrile

In the first half of the year, the domestic production of acrylonitrile was about 1.689 million tonnes, representing an increase of 108,000 tonnes compared with the same period of last year, i.e. an increase of 6.83% year-on-year. Imports of acrylonitrile were about 46,600 tonnes, representing a decrease of 40,600 tonnes compared with the same period last year, i.e. a decrease of 46.56% year-on-year.

In the first half of the year, the domestic market price of acrylonitrile fluctuated high and fell back, and the average market price was RMB9,828 per tonne, with an increase of 2.11% year-on-year. The main positive support for the market to go higher came from the supply side. The industry capacity utilisation rate continued to be low, unplanned suspension and reduced load were more concentrated, resulting in a temporary shortage of supply, thus giving the market rising conditions and the price rose to a high point of RMB10,800 per tonne in April. With the resumption of equipment maintenance in May, the supply increased and the prices fell; and to the end of June, the mainstream self-pickup prices of the port in East China fell to RMB9,450 per tonne.

b. Business Review

During the reporting period, the Company continued to strengthen production and operation control, the overall production safety situation was stable, and the industrial structure continued to be optimised. The rationality and economy of equipment maintenance cycle were improved, and a 5-year rolling plan for equipment maintenance was issued. The major overhaul of CNOOC Fudao Limited (海洋石油富島有限公司, “CNOOC Fudao”) Phase I Urea Plant, CNOOC Fudao Phase II Urea Plant and Hainan Phase II Methanol Plant was all completed ahead of schedule, which laid a solid foundation for the subsequent sound operation. In the first half of the year, the Company produced 973,000 tonnes of urea, 707,000 tonnes of methanol, 445,000 tonnes of phosphate fertilisers and compound fertilisers, and 97,000 tonnes of acrylonitrile and related products.

In the first half of the year, facing a complex and volatile market situation, the Company further strengthened the market research and judgment, and priced scientifically and accurately. We developed the market competitiveness of our products and our price elasticity, promoting the competitive sales business on fertiliser and methanol. We strengthened the direct sales of e-commerce, direct sales of e-commerce increased by 54% year-on-year. In the first half of the year, the Company sold 1.003 million tonnes of urea, 668,000 tonnes of methanol, 401,000 tonnes of phosphate fertilisers and compound fertilisers, and 88,000 tonnes of acrylonitrile and related products.

The acrylonitrile project successfully passed its completion quality acceptance, with a passing rate of 100%. Huahe coal chemical green compound fertiliser project ran smoothly in its trial production.

In the first half of the year, the Company strengthened its environmental protection compliance management and made every effort to promote the upgrading of its facilities. The Company's online pollutant emission data has been 100% up to standard for two consecutive years, and the number of environmental pollution accidents has remained at zero. Our energy efficiency index continued to lead the industry, and the energy conservation and emission reduction indicators were generally 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					
	2024			2023		
Chemical fertilisers	Production volume (tonnes)	Sales volume (tonnes)	Utilisation rate (%)	Production volume (tonnes)	Sales volume (tonnes)	Utilisation rate (%)
Urea						
CNOOC Fudao Phase I	261,314	262,043	100.5	288,492	280,033	111.0
CNOOC Fudao Phase II	371,940	391,374	93.0	414,717	402,433	103.7
CNOOC Huahe	340,222	349,845	130.9	340,707	362,527	131.0
Group total	<u>973,476</u>	<u>1,003,262</u>	<u>105.8</u>	<u>1,043,916</u>	<u>1,044,993</u>	<u>113.5</u>
Phosphate fertilisers and compound fertilisers						
DYK MAP	31,114	28,834	41.5	20,885	23,135	27.8
DYK DAP Phase I (Note 1)	172,419	165,823	98.5	179,561	173,208	102.6
DYK DAP Phase II	241,548	206,348	96.6	200,868	155,629	80.3
Group total	<u>445,081</u>	<u>401,005</u>	<u>89.0</u>	<u>401,314</u>	<u>351,972</u>	<u>80.3</u>
Chemical products						
Methanol						
Hainan Phase I	332,234	315,953	110.7	296,083	284,073	98.7
Hainan Phase II	374,750	352,507	93.7	390,580	370,617	97.6
Group total	<u>706,984</u>	<u>668,460</u>	<u>101.0</u>	<u>686,663</u>	<u>654,690</u>	<u>98.1</u>
Acrylonitrile and relating products						
Acrylonitrile	72,712	67,157	72.7	44,518	21,770	44.5
Acetonitrile	2,306	2,077	76.9	1,258	701	41.9
MMA	22,473	19,184	64.2	10,813	5,701	30.9
Group total	<u>97,491</u>	<u>88,418</u>	<u>70.6</u>	<u>56,589</u>	<u>28,172</u>	<u>41.0</u>

Note 1: In the first half of 2024, the DYK DAP Phase I Plant produced 0 tonnes of DAP and 172,419 tonnes of compound fertilisers, amounting to 172,419 tonnes in total, and sold 0 tonnes of DAP and 165,823 tonnes of compound fertilisers, amounting to 165,823 tonnes in total. 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.

BB fertilisers

In the first half of 2024, the Group produced a total of 8,300 tonnes of BB fertilisers with a sales volume of 9,242 tonnes.

c. Financial Review

Revenue and gross profit

During the reporting period, the Group's revenue was RMB6,006.6 million, representing a decrease of RMB169.1 million, or 2.7%, from that of RMB6,175.7 million in the corresponding period of 2023. This was primarily attributable to the decrease in the sales volume of urea, as well as the year-on-year decrease in the selling prices of urea and phosphate and compound fertilisers of the Group.

During the reporting period, the Group realised an external revenue from urea of RMB2,102.4 million, representing a decrease of RMB417.6 million, or 16.6%, from that of RMB2,520.0 million in the corresponding period of 2023. This was primarily attributable to (1) a decrease of RMB315.9 per tonne in the selling price of urea, which decreased the revenue by RMB330.10 million; and (2) a decrease of 41,731 tonnes in the sales volume of urea, which decreased the revenue by RMB87.5 million.

During the reporting period, the Group realised an external revenue from phosphate fertilisers and compound fertilisers of RMB1,336.5 million, representing an increase of RMB142.9 million, or 12.0%, from that of RMB1,193.6 million in the corresponding period of 2023. This was primarily attributable to (1) an increase of 49,033 tonnes in the sales volume of phosphate and compound fertilisers, which increased the revenue by RMB163.4 million; and (2) a decrease of RMB58.4 per tonne in the selling price of phosphate and compound fertilisers, which decreased the revenue by RMB20.5 million, partially offsetting the above increase.

During the reporting period, the Group realised an external revenue from methanol of RMB1,478.6 million, representing an increase of RMB78.6 million, or 5.6%, from that of RMB1,400.0 million in the corresponding period of 2023. This was primarily attributable to (1) an increase of RMB73.5 per tonne in the selling price of methanol, which increased the revenue by RMB48.1 million; and (2) an increase of 13,770 tonnes in the sales volume of methanol, which increased the revenue by RMB30.5 million.

During the reporting period, the Group realised an external revenue from acrylonitrile series products of RMB824.9 million, representing an increase of RMB594.3 million, or 257.7%, from that of RMB230.6 million in the corresponding period of 2023. This was primarily attributable to (1) an increase of RMB1,143.5 per tonne in the selling price of acrylonitrile series products, which increased the revenue by RMB32.2 million; and (2) an increase of 60,246 tonnes in the sales volume of acrylonitrile series products, which increased the revenue by RMB562.1 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 Huahe high tower compound fertilisers, BB fertilisers and liquid ammonia) of RMB264.2 million, representing a decrease of RMB567.3 million, or 68.2%, from that of RMB831.5 million in the corresponding period of 2023. This was primarily attributable to (1) a decrease in the Company's trading volume, and changed from holding to equity participation in Guangxi Fudao Agricultural Means of Production Limited (廣西富島農業生產資料有限公司, "Guangxi Fudao") at the end of 2023, its business will no longer be included in the Group's consolidation scope in 2024, resulting in a year-on-year decrease, with a total reduction of RMB396.7 million in trading revenue; (2) no sales volume of POM this year, resulting in a decrease of RMB124.0 million in revenue; (3) a decrease in both the sales volume and price of BB fertilisers, resulting in a decrease of RMB17.0 million in revenue; (4) a decrease of RMB23.5 million in revenue due to cargo handling and transportation volumes of Basuo Port; (5) a decrease of RMB14.0 million in revenue from the sales of liquid ammonia, formaldehyde and carbon dioxide, etc.; and (6) the commencement of production of Huahe high tower fertiliser, resulting in an increase of RMB7.9 million in revenue, offsetting the aforementioned decrease.

During the reporting period, the Group's gross profit was RMB1003.1 million, representing a decrease of RMB60.5 million, or 5.7%, from RMB1063.6 million in the corresponding period of 2023. This was primarily attributable to (1) a decrease of RMB173.4 million in gross profit of urea due to a decrease in sales volume and price of urea, offset by a decrease in its cost; (2) a decrease of RMB21.4 million in the gross profit due to no POM sales in this year, compared to that of the corresponding period of last year; (3) a decrease of RMB6.6 million in the gross profit of CNOOC Fudao BB fertiliser due to a decrease in sales volume and price; (4) a decrease of RMB40.6 million in the gross profit due to a reduction in trade volume and cargo handling and transportation volumes at Basuo Port; (5) an increase of RMB45.9 million in the gross profit of phosphate and compound fertilisers due to an increase in sales volume and a decrease in cost, offsetting the decrease in price; (6) an increase of RMB31.7 million in the gross profit of methanol due to an increase in price and sales volume, offsetting the increase in cost; and (7) an increase of RMB103.7 million in the gross profit due to an increase in sales volume of acrylonitrile series products, an increase in price, and a decrease in cost, partially offsetting the above increases.

Other income and other gains and losses

During the reporting period, the Group's other income was RMB32.6 million, representing a decrease of RMB24.9 million, or 43.3%, from that of RMB57.5 million in the corresponding period of 2023. This was primarily attributable to (1) a year-on-year decrease of RMB14.8 million in receipts of each government grants; (2) a decrease of RMB10.1 million in gain from the wealth management products and others.

During the reporting period, the Group's other gains and losses amounted to RMB2.0 million, representing an increase of RMB1.4 million, or 233.3%, from that of RMB0.6 million in the corresponding period of 2023. This was primarily attributable to an increase in non-operating income from gains on damage and retirement of non-current assets by RMB1.4 million for the year.

Selling and distribution costs

During the reporting period, the Group's selling and distribution costs amounted to RMB40.0 million, representing a decrease of RMB7.2 million, or 15.3%, from that of RMB47.2 million in the corresponding period of 2023. This was primarily attributable to the disposal of the subsidiary Guangxi Fudao at the end of 2023, which led to a decrease in selling and distribution costs (the selling and distribution costs of Guangxi Fudao were RMB7.5 million in the corresponding period of last year).

Administrative expenses

During the reporting period, the Group's administrative expenses amounted to RMB281.5 million, representing an increase of RMB8.8 million, or 3.2%, from that of RMB272.7 million in the corresponding period of 2023. This was primarily attributable to (1) an increase of RMB1.3 million in staff costs; (2) an increase of RMB7.5 million in travel fees, outsourcing fees and consultation fees.

Other expenses

During the reporting period, the Group's other expenses amounted to RMB2.6 million, representing a decrease of RMB1.0 million, or 27.8%, from that of RMB3.6 million in the corresponding period of 2023. This was primarily attributable to (1) a decrease of RMB0.7 million in financial expenses; and (2) a decrease of RMB0.3 million in non-operating expenses such as external donations.

Finance income and finance costs

During the reporting period, the Group's finance income amounted to RMB172.6 million (of which finance income from sizable certificate of deposit business amounted to RMB163.8 million), representing an increase of RMB11.1 million from that of RMB161.5 million (of which finance income from sizable certificate of deposit business amounted to RMB152.8 million) in the corresponding period of 2023.

During the reporting period, the Group's finance costs amounted to RMB27.0 million, representing an increase by RMB17.0 million from that of RMB10.0 million in the corresponding period of 2023, such increase in finance costs was mainly due to the increased interest expenses after the commencement of production of acrylonitrile series products.

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 RMB5.9 million, representing a decrease in loss of RMB7.3 million from net exchange losses of RMB13.2 million in the corresponding period of 2023. It was mainly due to the exchange losses arising from the export forward letter of credit receipts attributable to exchange rate fluctuations in the corresponding period of last year.

Gain on disposal of some of subsidiaries

During the reporting period, the Group had no disposal of subsidiaries.

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 RMB4.4 million, representing an increase of RMB3.6 million, or 450%, from that of RMB0.8 million in the corresponding period of 2023. This was primarily attributable to (1) the recognition of an increase of RMB3.5 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 an increase of RMB0.2 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.

Income tax expense

During the reporting period, the Group's income tax expense amounted to RMB155.3 million, representing an increase of RMB40.4 million from that of RMB114.9 million in the corresponding period of 2023, representing an increase of 35.2%. This was primarily attributable to (1) a year-on-year decrease in operating profit before tax recorded by the Group for the year, which resulted in a corresponding decrease of RMB44.1 million in current income tax expense; and (2) an increase of RMB84.6 million in deferred income tax expense (deferred income tax assets with future loss carry-forwards arising from the loss of equity interests due to the disposal of equity interests in CNOOC Tianye Chemical Limited (中海石油天野化工有限責任公司) in the corresponding period of last year).

Net profit for the period

During the reporting period, the Group's net profit was RMB743.4 million, representing a decrease of RMB982.1 million, or 56.9%, as compared with that of RMB1,725.5 million for the corresponding period of 2023.

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 2024. During the reporting period, the Company made dividend payments for 2023 in cash in the total amount of RMB954.3 million.

Capital expenditures

During the reporting period, the Group had total capital expenditures of RMB196.37 million, including RMB135.37 million for construction of the midstream and downstream projects, RMB4.59 million for base construction, RMB34.08 million for technical renovation projects, RMB3.13 million for energy conservation, safety and environmental protection projects, RMB4.36 million for informatisation construction and electronic office equipment and RMB14.84 million for technology research projects.

The key projects mainly included: (1) the expenditure of the underground mining engineering project of Hubei Dayukou Chemical Limited (湖北大峪口化工有限責任公司, “**Dayukou Chemical**” or “**DYK**”) with an annual phosphate ore output of 1.60 million tonnes in the amount of RMB15.66 million; (2) the expenditure of Basuo Port new port area petrochemical wharf project of Chemical in the amount of RMB45.44 million; and (3) the expenditure of the 35,000 cubic metres liquid ammonia receiving station project of CNOOC Fudao in the amount of RMB41.52 million.

Pledge of assets

As at 30 June 2024, 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 2024, the Group had total interest-bearing liabilities of RMB2,262 million, all of which were floating-rate liabilities. The gearing ratio of the Group as at 30 June 2024 (calculated as interest-bearing liabilities divided by the sum of equity and interest-bearing liabilities) was 10.6%.

Cash and cash equivalents

At the beginning of 2024, the Group had cash and cash equivalents of RMB597.27 million. For the first half of 2024, net cash inflow from operating activities was RMB883.61 million, net cash inflow from investing activities was RMB126.33 million, net cash outflow from financing activities was RMB888.25 million, and the increase in cash and cash equivalents due to the effect of foreign exchange rate changes was RMB0.04 million. As at 30 June 2024, the Group's cash and cash equivalents were RMB719.00 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 2024, the Group had a total of 3,676 employees, and the total remuneration and allowances of employees amounted to approximately RMB239.6 million for the first half of 2024. 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 2024, the Company strictly followed the annual training plan with a total of 43,359 enrolments and a total of 128,384 training hours. The Company also organised a total of 3,377 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 72,391 enrolments and 128,296 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 7.0770 and 7.1270. 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 2024, the balance of the Group's deposits in USD was US\$12.9 million, and the balance of the Group's deposits in HKD was HK\$0.008 million.

Inflation and currency risk

According to the National Bureau of Statistics of China, the consumer price index of the PRC increased by 0.1% 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 the recording period and up to the date of this announcement, the Group had no significant event.

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 acquisitions and dispositions.

d. Sector Outlook

In the second half of 2024, there is an expectation of new production capacity coming into production in terms of urea supply. In terms of demand, the demand of agriculture is relatively stable, and the demand of industry will increase. Overall, the increase in supply is higher than the increase in demand. It is expected that domestic urea prices will weaken in July and August, and improve later with the preparation of winter wheat fertiliser. The overall supply of phosphate fertilisers is sufficient. With the superposition of international procurement and domestic autumn wheat demand and the release of winter reserve fertiliser demand, the overall demand is expected to be relatively strong. Supply and demand are expected to be in a tight balance, and the price trend remains cautiously optimistic.

In the second half of the year, the methanol supply is relatively sufficient, and imports are expected to resume growth. Downstream demand is expected to grow, while the cost side will continue to provide price support. It is expected that the supply and demand situation will change frequently, and the market will be dominated by wide ranges of fluctuations. The main focus is on the downstream seasonal supply and demand situation, crude oil prices, imports to ports, methanol futures trends, etc., which will have an impact on the market. In the second half of the year, both the supply and demand of acrylonitrile are expected to grow, but the incremental supply performance will be more prominent. The oversupply in the market may continue, and the spot price will maintain a weak trend, which is expected to fluctuate between RMB9,000 to RMB10,000 per tonne. In the third quarter, with the overhaul of Jilin petrochemical equipment and the expected reduction of production by some manufacturers, the prices may rebound slightly from the bottom. In the fourth quarter, with the release of new production capacity and the expectation of high operating rate, the prices may be under pressure.

e. Our Key Tasks in the second half of 2024

1. Ensure the safe and stable operation of production equipment and enhance our ability to resolve risks;
2. Continue to optimise resource allocation, give play to regional advantages, enhance product competitiveness, and further tap the potential for marketing efficiency;
3. Improve the level of refined management and build a cost control indicator system;
4. Strengthen brand building and create a benchmark base for green agricultural brands;
5. Highlight digitalisation, intelligence, green and low-carbon, and promote equipment upgrades; and
6. Conduct research on the development plan of green and strategically new industries.

(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 2024. The Group's unaudited interim results for the six months ended 30 June 2024 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 2024, save as disclosed below, the Company had complied with all code provisions of the Corporate Governance Code (the "**Corporate Governance Code**") as set out in Appendix C1 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.

Code provision C.1.6 of the Corporate Governance Code stipulates that independent non-executive directors and other non-executive directors shall attend general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. Yu Changchun, an independent non-executive director of the Company who resigned with effect from 28 May 2024, did not attend the 2023 annual general meeting, H shareholders' class meeting and domestic shareholders' class meeting of the Company held on 28 May 2024 due to other business arrangements.

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 2024, 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 C3 to the Listing Rules.

Purchase, Sale and Redemption of the Company's Listed Securities

During the six months ended 30 June 2024, 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 2024 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, 20 August 2024

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 Ms. Shao Lihua and Mr. Yang Dongzhao, and the independent non-executive directors of the Company are Mr. Lin Feng, Mr. Xie Dong and Mr. Yang Wanhong.

* *For identification purpose only*