中海石油化學股份有限公司
China BlueChemical Ltd.

2016 / 中期報告
Interim Report

股票代碼 / HKSE CODE 3983

Contents

Financial Highlights

Selected data of interim condensed consolidated statement of profit or loss

For the six months ended 30 June 2016
(All amounts expressed in thousands of Renminbi, except for per share data)

Selected data	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
Revenue	**3,877,567**	4,745,343
Cost of sales	**(3,776,642)**	(3,818,599)
Gross profit	**100,925**	926,744
Other income and gains	**132,643**	151,305
Selling and distribution costs	**(176,506)**	(188,158)
Administrative expenses	**(189,734)**	(186,333)
Other expenses	**(4,805)**	(8,239)
Change in fair value of obligation arising from a put option to a non-controlling shareholder	**(1,519)**	3,796
Change in fair value of derivative financial instrument	**(1,689)**	2,130
Gain recognised on expiry of the Put Option and Call Option	**53,822**	-
Finance income	**3,557**	4,811
Finance costs	**(71,659)**	(14,834)
Exchange (losses)/gains, net	**(11,392)**	8,069
Share of losses of joint ventures	**(609)**	(97)
Share of losses of associates	**(675)**	(2,399)
Gain on loss of control of a subsidiary	**6,282**	-
(Loss)/profit before tax	**(161,359)**	696,795
Income tax expenses	**19,339**	(156,004)
(Loss)/profit for the period	**(142,020)**	540,791
(Loss)/profit for the period attributable to:		
Owners of the parent	**(124,077)**	504,984
Non-controlling interests	**(17,943)**	35,807
	(142,020)	540,791
(Loss)/earnings per share attributable to ordinary owners of the parent		
- Basic for the period (RMB)	**(0.03)**	0.11

Selected data of interim condensed consolidated statement of financial position

As at 30 June 2016
(All amounts expressed in thousands of Renminbi)

Selected data	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Assets		
Non-current assets	**11,701,798**	12,065,165
Current assets	**9,145,287**	8,146,746
Total assets	**20,847,085**	20,211,911
Equity and liabilities		
Total equity	**14,409,403**	14,881,574
Non-current liabilities	**2,790,206**	1,248,804
Current liabilities	**3,647,476**	4,081,533
Total equity and liabilities	**20,847,085**	20,211,911

Operational Highlights

Production volume and utilisation rates of the Group's various plants

		For the six months ended 30 June					
		Production volume (tonnes)			Utilisation Rate (%)		
		2016	2015	Change %	2016	2015	Change
Chemical Fertilisers							
Urea	Fudao Phase I	227,462	272,030	(16.4)	87.5	104.6	(17.1)
	Fudao Phase II	230,734	358,338	(35.6)	57.7	89.6	(31.9)
	CNOOC Tianye	296,318	305,903	(3.1)	114.0	117.7	(3.7)
	CNOOC Huahe (Note 1)	318,035	-	-	122.3	-	-
	Group total	1,072,549	936,271	14.6	90.9	101.8	(10.9)
Phosphate Fertilisers and Compound Fertilisers	DYK MAP	26,322	32,498	(19.0)	35.1	43.3	(8.2)
	DYK DAP Phase I (Note 2)	169,018	151,399	11.6	96.6	86.5	10.1
	DYK DAP Phase II	256,593	289,931	(11.5)	102.6	116.0	(13.4)
	Group total	451,933	473,828	(4.6)	90.4	94.8	(4.4)
Chemical Products							
Methanol	Hainan Phase I	291,101	309,913	(6.1)	97.0	103.3	(6.3)
	Hainan Phase II	405,893	359,430	12.9	101.5	89.9	11.6
	CNOOC Tianye	84,552	98,455	(14.1)	84.6	98.5	(13.9)
	Group total	781,546	767,798	1.8	97.7	96.0	1.7

Sales volume of the Group's various plants (Unit: tonne)

		For the six months ended 30 June		
		2016	2015	Change %
Chemical Fertilisers				
Urea	Fudao Phase I	206,240	257,480	(19.9)
	Fudao Phase II	247,685	319,053	(22.4)
	CNOOC Tianye	268,839	319,500	(15.9)
	CNOOC Huahe (Note 1)	289,626	-	-
	Group total	1,012,390	896,033	13.0
Phosphate Fertilisers and Compound Fertilisers	DYK MAP	14,575	28,831	(49.4)
	DYK DAP Phase I (Note 2)	126,391	109,707	15.2
	DYK DAP Phase II	249,549	295,012	(15.4)
	Group total	390,515	433,550	(9.9)
Chemical Products				
Methanol	Hainan Phase I	287,188	310,989	(7.7)
	Hainan Phase II	408,085	341,291	19.6
	CNOOC Tianye	87,188	94,218	(7.5)
	Group total	782,461	746,498	4.8

Note 1: CNOOC Huahe plant went into commercial production on 1 July 2015.

Note 2: The DYK DAP Phase I Plant produced 143,277 tonnes of DAP and 25,741 tonnes of compound fertilisers, totaling at 169,018 tonnes, and sold 104,131 tonnes of DAP and 22,260 tonnes of compound fertilisers, totaling at 126,391 tonnes, in the first half of 2016. In the first half of 2015, the DYK DAP Phase I Plant produced 125,326 tonnes of DAP and 26,073 tonnes of compound fertilisers, totaling at 151,399 tonnes, and sold 95,318 tonnes of DAP and 14,389 tonnes of compound fertilisers, totaling at 109,707 tonnes.

CEO's Report

Dear shareholders,

Thanks to the trust of you and the Board, I was appointed on 1 June 2016 as the chief executive officer and president of the Company. I shall lead the management and staff of the Company to confront the difficulties ahead amidst a harsh market by further strengthening the refined management of equipment operation, actively enhancing the products marketing capabilities, increasing revenue while reducing expenses and cost as well as enhancing efficiency, so as to improve the Company's operating results.

In the first half of 2016, sales volumes of the Company's chemical fertilisers and methanol achieved a record high as a result of increased capacity and expansion of market. However, due to the significant drop in the selling prices as compared to the corresponding period of last year under a very sluggish market of chemical fertilisers and methanol, which was coupled with the suspension in the Company's Hainan Fudao Phase I and Phase II Urea Plants, the Company's revenue was RMB3,877.6 million, which decreased 18.3% as compared to the first half of last year. Loss attributable to owners of the parent amounted to RMB124.1 million.

Review on the First Half of the Year

During the reporting period, stable and effective operation was achieved in each of our Hainan Methanol Plants, Hubei DAP Plant, CNOOC Huahe Coal-based Urea Plant and the CNOOC Tianye Urea Plant. In particular, the operation efficiency of the CNOOC Huahe Coal-based Urea Plant was on a continuous rise, reaching a utilization rate of 122%, while the utilization rate of CNOOC Tianye Urea Plant reached 114%. The utilization rate of Hainan Phase II Methanol Plant increased significantly by 11.6 percentage points as compared to the corresponding period of last year. The facility upgrade of our Fudao Phase I Urea Plant was completed ahead of schedule and its production was resumed. However, the production volume of urea had been affected by the 85-day suspension in the Fudao Phase II Urea Plant due to repair.

Production volume of urea and methanol for the first half of the year amounted to 1,073,000 tonnes and 782,000 tonnes, representing an increase by 15% and 2%, respectively, as compared to the corresponding period of last year. Production volume of phosphate fertilisers and compound fertilisers amounted to 452,000 tonnes, representing a decrease from the corresponding period of last year due to the overhaul conducted in the plant.

For the first half of the year, the company continued to take its advantages in terms of its brand and geographical location, with sales volume of urea and phosphate and compound fertilisers amounted to 1,012,000 tonnes and 391,000 tonnes, respectively, of which 245,000 tonnes of urea and 107,000 tonnes of DAP were exported. Sales of methanol were 782,000 tonnes, representing an increase by 5% as compared to the corresponding period of last year.

With our intensified efforts on reducing cost, improving quality and enhancing efficiency, the processing techniques and processes of phosphate ore were actively enhanced in DYK Chemical, raising the recovery rate of phosphate ore from 78% to 82%. Cost of external purchases of coal for CNOOC Huahe significantly decreased and self-power-generation and on-grid connection were achieved. CNOOC Tianye strived to reduce the price of natural gases used for methanol production. We also imposed a stringent control of cost and expense, which led to a decrease in administrative and sales expenses.

Outlook for the Second Half of 2016

Looking forward to the second half of the year, as the chemical fertiliser use will enter into low season in China, coupled with declining exports, the domestic chemical fertiliser market will stay low, which will accelerate the consolidation of the chemical fertiliser industry in the PRC. The domestic demand for methanol is expected to maintain in growth.

In the second half of 2016, the Company will continue to strengthen and enhance HSE and refined production management. Planned overhaul of the CNOOC Tianye Urea Plant and Methanol Plant will be preceded as scheduled, and their production plans will be made according to market conditions. We will monitor the operation of the Fudao Phase II Urea Plant following its resumption of production and coordinate the work in relation to the supply of natural gas in Hainan, endeavouring to achieve safe and stable operation for each production unit of the Company. Heightened emphasis will be put on the autumn sales and winter storage and sales of chemical fertilisers in the domestic market, and marketing capability will be enhanced by making solid advancement in the reform of marketing and trading system. The Company shall continue to implement cost control and quality and efficiency enhancement measures, and to strictly control cost and expenses. We will optimize the risk management system and raise the standard of standardized management, while making progress in the Company's strategic development plan and related project researches.

Xia Qinglong

CEO & President

Management Discussion and Analysis

Sector Review

Chemical fertiliser industry

In 2016, the PRC government continued to maintain a steady development in its agricultural sector, comprehensively adjusted and optimized the composition of agricultural planting, stabilized the production of food crops such as rice and wheat, reduced field areas of corn in regions non-advantageous for the growth of corn, increased the field areas for soy beans and potatoes which have great market demand and further promoted the industrialized development of potatoes as staple food. Meanwhile, the PRC government continued to implement floor prices for wheat and grain rice. In particular, floor prices for wheat, mid- to-late indica rice and Japonica rice remained unchanged as compared to those in 2015. The temporary purchase and storage policy for corn has been adjusted to a new mechanism of market-driven purchases coupled with subsidies.

Preferential electricity price for chemical fertiliser industry was abolished entirely by the PRC government from 20 April 2016 with an aim to eliminate the energy-intensive production capacities of chemical fertilisers, so as to lead the chemical fertiliser industry in the PRC towards an environmental-friendly and sizable development.

In 2016, the tariff policies imposed on urea and phosphate fertiliser exports were in line with those in 2015. The rate applied for urea was RMB80 per tonne and the rate for ammonium phosphate was RMB100 per tonne, with a unified tariff rate throughout the year.

(I) Urea

Domestic urea production volume in the first half of 2016 was approximately 39.58 million tonnes (in kind), representing an increase by approximately 9% as compared to the first half of 2015. Urea exports from the PRC were sluggish due to prolonged decline in international urea market prices. Consequently, the export volume of urea decreased significantly by 25% to 5.05 million tonnes (in kind) in the first half of the year as compared to the same period of last year.

In the first two months of 2016, domestic market price of urea fluctuated within a narrow range between RMB1,300 and RMB1,350 per tonne. In March, following the kick-off of high season for domestic chemical fertilisers use in the domestic market, supply in certain areas tended to be tight, leading to a small rebound in the domestic market price of urea. By the end of April, domestic market price of urea remained in the range of RMB1,400 to RMB1,450 per tonne. Subsequently, domestic market price of urea began to fall due to the extreme weather in Southern China coupled with low international urea prices. By the end of June, the domestic market price of urea fell in the range between RMB1,250 and RMB1,350 per tonne.

(II) Phosphate fertilisers

In the first half of 2016, domestic production volume of ammonium phosphate was approximately 13.98 million tonnes (in kind), a decrease by approximately 3% as compared to the first half of 2015. Exports of ammonium phosphate from the PRC were sluggish due to prolonged decline in international market prices of ammonium phosphate. Export volume of ammonium phosphate was 2.92 million tonnes (in kind), representing a significant decrease of 31% as compared to the same period of last year.

In the first half of 2016, domestic market prices for ammonium phosphate underwent a sustained decline from the beginning of the year as a result of low grain prices and severe overcapacity for ammonium phosphate in the PRC. By the end of June, domestic market price of DAP was about RMB2,400 per tonne.

Methanol

In the first half of 2016, as international oil prices began to recover after hitting the bottom, domestic market price for methanol also fluctuated upward. Methanol-to-olefins remain the major driving force for demands growth of methanol.

In the first half of 2016, domestic production volume of methanol was approximately 21.13 million tonnes, representing an increase of approximately 10% from the same period of last year, while net imports increased significantly by 72% to 4.25 million tonnes.

At the beginning of 2016, domestic market price of methanol continued the downward trend of the second half of 2015 up until mid-February 2016 at RMB1,700 to RMB1,750 per tonne. In late February, as international energy prices bottomed up and downstream demands for methanol gradually recovered, domestic market price for methanol began to rebound. In early April, methanol prices rose to RMB2,050 per tonne in major domestic market, and then dropped slightly to around RMB1,900 per tonne in late June.

Business Review

During the reporting period, despite the lowered urea production due to scheduled suspension for facility upgrading during the first quarter for the Fudao Phase I Urea Plant and equipment failure in the Fudao Phase II Urea Plant, our urea production volume increased by 15% as compared to the corresponding period of last year as a result of the stable and effective operation in our CNOOC Huahe Coal-based Urea Plant and the CNOOC Tianye Urea Plant, whose utilization rates reached 122% and 114%, respectively. A significant growth in the utilization rate of our Hainan Methanol Phase II led to an increase of our methanol production volume by 2% from the corresponding period of last year. During the reporting period, the production of phosphate fertilisers slightly decreased as compared to the corresponding period of last year due to a scheduled overhaul of our phosphate fertiliser plants.

Both domestic and overseas chemical fertiliser markets are at an all-time low for a decade under the influence of depressed grain prices and severe overcapacity during the reporting period. Little boost appeared during the supposed peak season of the domestic demands for chemical fertilisers, while exports were wrecked. Market prices of methanol fluctuated at a low level as a result of low oil prices and slowdown in economic growth.

In front of harsh market conditions, the Company still over-achieved its sales target of methanol and fulfilled substantially its sales target for chemical fertilisers by leveraging upon its advantages in terms of its brand and geographical location and striving to develop its sales channels. In particular, exports of urea amounted to 245,000 tonnes and exports of DAP amounted to 107,000 tonnes.

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					
	2016			2015		
	Production Volume *(tonnes)*	Sales volume *(tonnes)*	Utilisation rate *(%)*	Production Volume *(tonnes)*	Sales volume *(tonnes)*	Utilisation rate *(%)*
Chemical fertilisers						
Urea						
Fudao Phase I	**227,462**	**206,240**	**87.5**	272,030	257,480	104.6
Fudao Phase II	**230,734**	**247,685**	**57.7**	358,338	319,053	89.6
CNOOC Tianye	**296,318**	**268,839**	**114.0**	305,903	319,500	117.7
CNOOC Huahe (Note 1)	**318,035**	**289,626**	**122.3**	-	-	-
Group total	**1,072,549**	**1,012,390**	**90.9**	936,271	896,033	101.8
Phosphate fertilisers and Compound fertilisers						
DYK MAP	**26,322**	**14,575**	**35.1**	32,498	28,831	43.3
DYK DAP Phase I (Note 2)	**169,018**	**126,391**	**96.6**	151,399	109,707	86.5
DYK DAP Phase II	**256,593**	**249,549**	**102.6**	289,931	295,012	116.0
Group total	**451,933**	**390,515**	**90.4**	473,828	433,550	94.8
Chemical products						
Methanol						
Hainan Phase I	**291,101**	**287,188**	**97.0**	309,913	310,989	103.3
Hainan Phase II	**405,893**	**408,085**	**101.5**	359,430	341,291	89.9
CNOOC Tianye	**84,552**	**87,188**	**84.6**	98,455	94,218	98.5
Group total	**781,546**	**782,461**	**97.7**	767,798	746,498	96.0

Note 1: CNOOC Huahe plant went into commercial production on 1 July 2015.

Note 2: The DYK DAP Phase I Plant produced 143,277 tonnes of DAP and 25,741 tonnes of compound fertilisers, totaling at 169,018 tonnes, and sold 104,131 tonnes of DAP and 22,260 tonnes of compound fertilisers, totaling at 126,391 tonnes, in the first half of 2016. In the first half of 2015, the DYK DAP Phase I Plant produced 125,326 tonnes of DAP and 26,073 tonnes of compound fertilisers, totaling at 151,399 tonnes, and sold 95,318 tonnes of DAP and 14,389 tonnes of compound fertilisers, totaling at 109,707 tonnes.

BB fertilisers

In the first half of 2016, the Group produced a total of 22,164 tonnes of BB fertilisers with a sales volume of 25,161 tonnes.

Financial Review

Revenue and gross profit

During the reporting period, the Group's revenue was RMB3,877.6 million, a decrease of RMB867.7 million, or 18.3%, from RMB4,745.3 million in the same period of 2015.

During the reporting period, the Group's external revenue from urea was RMB1,277.9 million, a decrease of RMB267.4 million, or 17.3%, from RMB1,545.3 million in the same period of 2015. The decrease was primarily attributable to (1) an increase in the sales volume of urea by 116,357 tonnes, leading to an increase in our revenue by RMB146.9 million; and (2) a decrease in revenue by RMB414.3 million due to a drop in the selling price of urea by RMB462.3 per tonne.

During the reporting period, the Group's external revenue from phosphate fertilisers and compound fertilisers was RMB863.3 million, a decrease of RMB354.5 million, or 29.1%, from RMB1,217.8 million in the same period of 2015. The decrease was primarily attributable to (1) a decrease in the sales volume of phosphate fertilisers and compound fertilisers by 43,034 tonnes, resulting in a decrease in revenue by RMB120.9 million; and (2) a decrease in revenue by RMB233.6 million caused by a drop in the price of phosphate fertilisers and compound fertilisers by RMB598.2 per tonne.

During the reporting period, the Group's external revenue from methanol was RMB1,169.0 million, a decrease of RMB195.5 million, or 14.3%, from RMB1,364.5 million in the same period of 2015. The decrease was primarily attributable to (1) an increase in the sales volume of methanol by 35,963 tonnes, resulting in an increase in revenue by RMB53.7 million; and (2) a decrease in revenue by RMB249.2 million caused by a drop in the selling price of methanol by RMB333.8 per tonne.

During the reporting period, the Group's external revenue from other segments (primarily comprising port operations and provision of transportation services, trading in fertilisers and chemicals, manufacture and sales of BB fertilisers and woven plastic bags), decreased by RMB50.4 million, or 8.2%, to RMB567.3 million as compared to RMB617.7 million in the same period of 2015, which was primarily attributable to (1) discontinuing our POM business which led to a decrease in revenue from POM by RMB40.1 million; and (2) a decrease in revenue by RMB8.6 million due to the decrease in the throughput of the Basuo Port by 200,000 tonnes.

The Group's gross profit for the reporting period amounted to RMB100.9 million, a decrease of RMB825.8 million, or 89.1%, from RMB926.7 million for the same period of 2015. The decrease was primarily attributable to (1) a drastic decrease in the selling prices of our major products, namely urea, phosphate fertilisers and methanol, from the same period of last year; (2) temporary suspension of production in our Hainan Fudao Phase I Urea Plant for 45 days due to scheduled overhaul and the Phase II Urea Plant for 85 days due to equipment repair, resulting in a significant decrease in sales volume and sales revenue of urea and a significant increase in costs of maintenance and repair; and partially offset by (3) the decrease in unit production cost of phosphate compound fertilisers and methanol and the increase in gross profit from other businesses.

Other income and gains

The Group's other gains for the reporting period amounted to RMB132.6 million, a decrease by RMB18.7 million, or 12.4%, from RMB151.3 million in the same period of 2015. The decrease was primarily attributable to the decrease in gains from investments in entrusted asset management of RMB21.0 million.

Selling and distribution costs

The Group's selling and distribution costs for the reporting period amounted to RMB176.5 million, a decrease of RMB11.7 million, or 6.2%, from RMB188.2 million in the same period of 2015. The decrease was mainly attributable to (1) increase in sales of chemical fertilisers settled on exit-price which reduced transportation costs by RMB22.4 million; and was partially offset by (2) the increase in cost of sales of Huahe Coal Chemical by RMB6.1 million.

Administrative expenses

The Group's administrative expenses for the reporting period amounted to RMB189.7 million, an increase of RMB3.4 million, or 1.8%, from RMB186.3 million in the same period of 2015. The increase was primarily attributable to (1) increase in management fees of Huahe Coal Chemical by RMB14.5 million, which was partially offset by (2) the decrease in management fees by RMB11.1 million from that of the same period of last year as a result of our stringent approach to control administrative expenses.

Other expenses

The Group's other expenses for the reporting period amounted to RMB4.8 million, a decrease of RMB3.4 million, or 41.5%, from RMB8.2 million in the same period of 2015. The decrease was principally due to a decrease in non-operating expenses by RMB3.2 million.

Finance income and finance costs

The Group's finance income for the reporting period decreased by RMB1.2 million to RMB3.6 million from RMB4.8 million in the same period of 2015.

The Group's finance costs for the reporting period amounted to RMB71.7 million, an increase by RMB56.9 million from RMB14.8 million in the same period of 2015. The increase was primarily attributable to (1) the increase in financing costs of Huahe Coal Chemical by RMB46.3 million; and (2) an increase in financing costs by RMB12.0 million arising from substituting investments in entrusted loans within the Group with low-interest rate bank loans and financial leases.

Net exchange (losses)/gains

During the reporting period, the Group recorded exchange losses of RMB11.4 million, a decrease of RMB19.5 million compared with an exchange gain of RMB8.1 million in the same period of 2015, which was primarily attributable to (1) exchange losses of RMB7.5 million from the Company's operation due to fluctuations in exchange rates; and (2) exchange losses of RMB3.9 million arising from the current liabilities owned by the Company to the minority shareholders of CBC (Canada) Holding Corp due to exchange rate changes.

Share of losses of associates and joint ventures

The Group's share of losses of associates and joint ventures for the reporting period amounted to RMB1.3 million, a decrease of RMB1.2 million, or 48.0%, from the share of losses of associates and joint ventures of RMB2.5 million in the same period of 2015.

Income tax expense

The Group's income tax expense for the reporting period was RMB-19.3 million, a decrease of RMB175.3 million from RMB156.0 million in the same period of 2015. The decrease was principally due to (1) a decrease in current income tax expenses by RMB105.7 million; and (2) a decrease in deferred tax expenses of RMB69.6 million from the previous period due to the recognition of deferred income tax assets for loss-making subsidiaries.

Net profit for the period

The Group's loss after tax for the reporting period was RMB142.0 million, an decrease by RMB682.8 million, from the net profit of RMB540.8 million in the same period of 2015.

Dividends

The board of directors of the Company (the "Board") did not recommend the payment of an interim dividend for the six months period ended 30 June 2016.

During the reporting period, the Company distributed the final dividend of RMB368.8 million in cash for 2015.

Capital expenditure

During the reporting period, the Group's capital expenditure in respect of acquisitions, property, plant and equipment as well as prepaid land lease payments amounted to RMB77.9 million. In particular, the investment in the renovation projects for our Fudao Phase I Urea Plant in Hainan amounted to RMB70.0 million.

Pledge of assets

As at 30 June 2016, the Group did not pledge any assets.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital structure in order to safeguard its normal production and operations and maximise shareholders' value. The Group manages its capital structure and makes timely adjustments in light of changing economic conditions. To maintain or realign our capital structure, the Group may raise capital by way of new debts or issue of new shares. The gearing ratio of the Group as at 30 June 2016 (calculated as interest-bearing liabilities divided by the sum of total equity and interest bearing liabilities) was 21.7%.

Cash and cash equivalents

As at the beginning of the reporting period, the Group's cash and cash equivalents were RMB5,313.9 million. For the reporting period, the net cash inflow from operating activities was RMB221.1 million, net cash outflow from investing activities was RMB208.6 million, net cash inflow from financing activities was RMB1,261.8 million, and the effect caused by the exchange movement on cash and cash equivalents was RMB5.7 million. As at 30 June 2016, the Group's cash and cash equivalents were RMB6,593.9 million. The Group has sufficient working capital to meet the funds required for its day-to-day operation and future development.

Human resources and training

As at 30 June 2016, the Group had 6,279 employees. The Company has a comprehensive remuneration system and a systematic welfare plan as well as an effective performance appraisal system in place to ensure that the remuneration policy of the Company effectively provides incentives to its staff. The Company determines staff remuneration according to their positions, performance and capability.

During the reporting period, the Company held training courses with a total of 83,618 enrolments and 284,871 training hours according to its annual training plan.

During the reporting period, the Company held 176 safety training courses, with a total of 6,629 enrolments and 56,711 training hours, covering topics such as safety awareness, regulatory information, risk management measures, knowledge on fire hazard prevention, emergency management, traffic safety and occupational hygiene knowledge.

Market risks

The major market risks of the Group are exposure to changes in selling prices of key products and in costs of raw materials (mainly natural gas, coal, phosphorous ore, synthetic ammonia and sulphur), fuels (mainly natural gas and coal), energy costs and fluctuations in interest rates or exchange rates.

Commodity price risk

The Group is also exposed to risks in commodity prices arising from changes in product selling prices and costs of raw materials and fuels.

Interest rate risk

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

Foreign exchange risk

The Group's revenue was primarily denominated in Renminbi and secondarily in USD. During the reporting period, the RMB to USD exchange rate ranged between 6.4565 and 6.6528. Fluctuation in the RMB to USD exchange rate may affect our revenue from sales of products, import of our equipment and raw materials.

Inflation and currency risk

According to the National Bureau of Statistics of China, the consumer price index of the PRC increased by 2.1% during the reporting period, which did not have a significant effect on the Group's operating results for the period.

Subsequent events and contingent liabilities

As at 30 June 2016, the Group had no subsequent events or contingent liabilities.

Material litigation and arbitration

As at 30 June 2016, the Company had no material litigation and arbitration.

The arbitration case which began in 2014 in relation to Shanxi Hualu Yangpoquan Coal Mining Co., Ltd. (refer to the announcement dated 10 July 2014) is in process.

Sector Outlook

Looking forward to the second half of 2016, as the chemical fertiliser use will enter into low season in China, which coupled with sluggish exports of chemical fertilisers in China due to a weak international market, the domestic chemical fertiliser market is expected to stay low, which will accelerate the consolidation of the chemical fertiliser industry in the PRC, and eliminate obsolescent capacities.

As for the methanol industry, while the domestic demand is expected to maintain in growth, the price of methanol still depends on the growth of global economy and international energy prices.

Our Key Tasks in the second half of 2016

1. To proceed as scheduled the planned overhaul of the CNOOC Tianye Urea Plant and Methanol Plant and to make their production plans according to market conditions; to monitor the operation of the Fudao Plant Phase II following resumption of production; to coordinate the work in relation to the supply of natural gas in Hainan; and to endeavor to achieve safe and stable operation for each production unit of the company;

2. To put heightened emphasis on the autumn sales and winter storage and sales of chemical fertilisers in the domestic market, and to enhance the market operation capability by making solid advancement in the reform of marketing and trading system and exploring e-commerce sales model;

3. To continue to implement cost control and quality and efficiency enhancement measures, and to strictly control cost and expenses;

4. To optimize the risk management system and raise the standard of standardized management;

5. To proceed with the preliminary work for constructing the Xinhua coal mine in cooperation with the local professional coal producers in Heilongjiang, and to strive to get the mining right for the phosphate mine of Shanshuya, Yichang, so as to make progress in the development the phosphate mine;

6. To continue to do research on the feasibility of producing high-end chemical products with natural gas in Hainan in coordination with the development of the offshore natural gas fields in the Southern Hainan; and

7. To continue to look for development opportunities in China and overseas that fit the Company's development strategy.

Supplemental Information

Audit Committee

The Audit Committee has reviewed, with the management, 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 2016. The Group's unaudited interim results for the six months ended 30 June 2016 have been reviewed independently by the Company's external auditor, Messrs. Deloitte Touche Tohmatsu 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 Messrs. Deloitte Touche Tohmatsu has any disagreement over the accounting treatments adopted in preparing the interim results during the reporting period.

Compliance with Corporate Governance Code

The Company strives to maintain a high level of corporate governance in order to enhance transparency and ensure the protection of the overall interests of the shareholders. During the six months ended 30 June 2016, 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").

Disclosures on Directors' Information

Changes of Directors

Changes of the information of the directors as required to be disclosed under Rule 13.51B(1) of the Listing Rules since the publication of the 2015 annual report of the Company are set out below:

At the annual general meeting of the Company held on 31 May 2016, Mr. Cheng Chi and Mr. Guo Xinjun were appointed as non-executive Directors of the Company; Mr. Yu Changchun was appointed as an independent non-executive Director of the Company. At the Board meeting convened on the same day, Mr. Cheng Chi was appointed as a member of the Audit Committee of the Board, a member of the Remuneration Committee of the Board and a member of the Investment Review Committee of the Board; Mr Guo Xinjun was appointed as a member of the Audit Committee of the Board and a member of the Investment Review Committee of the Board; Mr. Yu Changchun was appointed as the chairman of the Investment Review Committee of the Board, a member of the Audit Committee of the Board and a member of the Nomination Committee of the Board. At the extraordinary general meeting of the Company held on 20 July 2016, Mr. Xia Qinglong was appointed as an executive Director of the Company.

Mr. Zhou Dechun has resigned from his position as a non-executive Director of the Company and a member of the Audit Committee of the Board and a member of the Investment Review Committee of the Board because he has reached the retirement age. Mr. Zhu Lei has resigned from his position as a non-executive Director of the Company and a member of the Audit Committee of the Board and a member of the Investment Review Committee of the Board due to other work commitment. Mr. Zhou Hongjun has resigned from his position as an independent non-executive Director of the Company, the chairman of the Investment Review Committee of the Board, a member of the Audit Committee of the Board and a member of the Nomination Committee of the Board due to other work commitment. The effective date of their resignation was 31 May 2016. Mr. Wang Hui has resigned from his position as an executive Director of the Company due to other work commitment with effect on 20 July 2016, and he has also ceased to be a member of the Nomination Committee of the Board and a member of the Investment Review Committee of the Board from 1 June 2016.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

In respect of the transactions of securities by our Directors and Supervisors, the Company has adopted a set of standard code on terms no less exacting than the required standards of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. The Board confirms that having made specific enquiries with all directors and supervisors of the Company, during the six months ended 30 June 2016, all members of the Board and all Supervisors have complied with the required standards as set out in the Model Code.

Interests of substantial shareholders

As at 30 June 2016, to the best knowledge of any of the Directors and chief executives of the Company, pursuant to the register required to be kept under Section 336 of the SFO, the interests and short positions in any shares and underlying shares of the Company of substantial shareholders and other persons (excluding Directors, Supervisors and chief executives of the Company) are set out as below:

Names of substantial shareholders	Capacity	Number of Shares held (shares)	Class of shares	Approximate percentage of the relevant class of shares in issue (%)	Approximate percentage of total shares in issue (%)
China National Offshore Oil Corporation (Note 1)	Beneficial owner	**2,738,999,512 (L)**	**Domestic Shares**	**97.33 (L)**	**59.41 (L)**
Commonwealth Bank of Australia (Note 2)	Interests in controlled corporation	**336,818,000 (L)**	**H Shares**	**19.02 (L)**	**7.31 (L)**
Hermes Investment Management Ltd	Investment manager	**159,846,000 (L)**	**H Shares**	**9.03 (L)**	**3.47 (L)**
Edgbaston Investment Partners Limited	Investment manager	**143,462,000 (L)**	**H Shares**	**8.10 (L)**	**3.11 (L)**
Citigroup Inc. (Note 3)	Interests in controlled corporation	**107,376,284 (L)** **0 (S)** **104,915,009 (P)**	**H Shares**	**6.06 (L)** **0.00 (S)** **5.92 (P)**	**2.33 (L)** **0.00 (S)** **2.28 (P)**
Edgbaston Asian Equity Trust	Beneficial owner	**107,048,000 (L)**	**H Shares**	**6.04 (L)**	**2.32 (L)**
Mondrian Investment Partners Limited	Investment manager	**106,304,000 (L)**	**H Shares**	**6.00 (L)**	**2.31 (L)**

Notes: The letter (L) denotes long position. The letter (S) denotes short position. The letter (P) denotes lending pool.

(1) Mr. Li Hui, the Chairman and Non-executive Director of the Company, is also the deputy general manager of China National Offshore Oil Corporation.

(2) These Shares are held directly by a number of controlled corporations of Commonwealth Bank of Australia, which are Colonial Holding Company Ltd, Commonwealth Insurance Holding Limited, Colonial First State Group Ltd, First State Investment Managers (Asia) Ltd, First State Investments (UK Holdings) Ltd, First State Investments (Hong Kong) Ltd, SI Holdings Limited and First State Investment Management (UK) Limited.

(3) These Shares are held directly by a number of controlled corporations of Citigroup Inc, which are Citigroup Global Markets Hong Kong Limited, Citigroup Global Markets Limited, Citigroup Global Markets Inc., Morgan Stanley Smith Barney Holdings LLC, Citibank N.A., Citigroup Alternative Investments LLC, Automated Trading Desk Financial Services, LLC,Citigroup Trust - Delaware, National Association, Citicorp Trust, National Association, Citicorp Trust South Dakota, Citigroup Global Markets Asia Limited, Cititrust (Bahamas) Limited, Cititrust (Switzerland) Limited, Citigroup Global Markets Deutschland AG, Citigroup Derivatives Markets Inc., Citigroup First Investment Management Limited, Cititrust Jersey Limited, Citibank (Switzerland) AG, Citigroup Global Markets Funding Luxembourg SCA, Impulsora de Fondos Banamex S.A. de C.V., Acciones y Valores, S.A. de C.V., Citigroup Financial Products Inc., Citigroup Global Markets Holdings Inc., Citigroup Global Markets Europe Limited, Citigroup Global Markets (International) Finance AG, Citigroup Global Markets International LLC, Citigroup Global Markets Inc., Citicorp Holdings Inc., Citigroup Investments Inc., Automated Trading Desk, LLC, Automated Trading Desk Holdings, Inc., Citigroup Acquisition LLC, Citibank N.A., Citigroup Global Markets Hong Kong Holdings Ltd, Citigroup Global Markets Overseas Finance Limited, Citigroup Global Markets Switzerland Holding GmbH, Citigroup Participation Luxembourg Limited, Citigroup International Luxembourg Limited, Citigroup Overseas Investments Bahamas Inc., Citibank Overseas Investment Corporation, Citigroup Global Markets Hong Kong Holdings Limited, Grupo Financiero Banamex, S.A. de C.V., Citicorp (Mexico) Holdings LLC, NAMGK Mexico Holding, S. de R.L. de C.V., Citigroup Capital Partners Mexico, S. de R.L. de C.V., Citicorp Global Holdings, Inc., Citicorp Banking Corporation, Citigroup Global Markets Finance Corporation & Co. beschrankt haftende KG, Citigroup Global Markets Finance LLC, Acciones y Valores, S.A. de C.V., Citibank N.A., Citibank Canada, Citigroup Trust - Delaware, National Association.

Save as disclosed above, to the best knowledge of any of the Directors and chief executives of the Company, as at 30 June 2016, no person (other than a Director, Supervisor and chief executive of the Company or their respective associates) had any interests and short positions in the shares and underlying shares (as the case may be) of the Company which were required to be entered into the register kept pursuant to Section 336 of the SFO.

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

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

Interests and short positions of directors, supervisors and chief executive in shares

As at 30 June 2016, none of the Directors, Supervisors, chief executives or their associates had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed to have or taken to have under such provisions of the SFO), or which were required to be entered in the register pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code set out in the Listing Rules.

Report on Review of Interim Condensed Consolidated Financial Statements

Deloitte.
德勤

To the Board of Directors of China Bluechemical Ltd.

Introduction

We have reviewed the condensed consolidated financial statements of China BlueChemical Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 14 to 42, which comprise the condensed consolidated statement of financial position as of 30 June 2016 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review 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. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong
24 August 2016

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2016

	Notes	Six months ended 30 June 2016 (Unaudited) RMB'000	Six months ended 30 June 2015 (Unaudited) RMB'000
Revenue	4	3,877,567	4,745,343
Cost of sales		(3,776,642)	(3,818,599)
Gross profit		100,925	926,744
Other income and gains	4	132,643	151,305
Selling and distribution costs		(176,506)	(188,158)
Administrative expenses		(189,734)	(186,333)
Other expenses		(4,805)	(8,239)
Change in fair value of obligation arising from a put option to a non-controlling shareholder	24	(1,519)	3,796
Change in fair value of derivative financial instrument	25	(1,689)	2,130
Gain recognised on expiry of the Put Option and Call Option	25	53,822	-
Finance income		3,557	4,811
Finance costs	5	(71,659)	(14,834)
Exchange (losses)/gains, net	6	(11,392)	8,069
Share of losses of joint ventures		(609)	(97)
Share of losses of associates		(675)	(2,399)
Gain on loss of control of a subsidiary	26	6,282	-
(Loss)/profit before tax		(161,359)	696,795
Income tax expenses	7	19,339	(156,004)
(Loss)/profit for the period	8	(142,020)	540,791
(Loss)/profit for the period attributable to:			
Owners of the parent		(124,077)	504,984
Non-controlling interests		(17,943)	35,807
		(142,020)	540,791
(Loss)/earnings per share attributable to ordinary owners of the parent			
- Basic for the period (RMB)	9	(0.03)	0.11

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2016

	Six months ended	
	30 June 2016 (Unaudited) RMB'000	30 June 2015 (Unaudited) RMB'000
(Loss)/profit for the period	**(142,020)**	540,791
Other comprehensive income that may be reclassified subsequently to profit or loss		
Fair value gains on unlisted investments during the period	**114,384**	135,355
Less: Reclassification adjustment relating to disposal upon maturity	**(114,384)**	(135,355)
Exchange differences arising on translation	**9,546**	(13,293)
Cumulative translation loss release to profit or loss upon loss of control over a subsidiary (Note 26)	**37,191**	-
Total comprehensive income for the period	**(95,283)**	527,498
Total comprehensive income for the period attributable to:		
Owners of the parent	**(77,340)**	491,691
Non-controlling interests	**(17,943)**	35,807
	(95,283)	527,498

Interim Condensed Consolidated Statement of Financial Position

At 30 June 2016

	Notes	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Assets			
Non-Current Assets			
Property, plant and equipment	10	**9,395,135**	9,783,087
Mining and exploration rights		**470,682**	471,928
Prepaid lease payments	11	**610,901**	619,087
Intangible assets		**29,967**	32,464
Investments in joint ventures	12	**279,374**	212,449
Investments in associates	13	**184,298**	255,975
Available-for-sale investments		**600**	600
Deferred tax assets	14	**718,841**	677,575
Other long-term prepayment		**12,000**	12,000
		11,701,798	12,065,165
Current Assets			
Inventories		**1,455,048**	1,406,243
Trade receivables	15	**307,397**	659,092
Bills receivable	15	**64,536**	124,820
Prepayments, deposits and other receivables	16	**720,307**	608,196
Pledged bank deposits		**4,059**	4,059
Time deposits with original maturity over three months		**-**	30,429
Cash and cash equivalents	17	**6,593,940**	5,313,907
		9,145,287	8,146,746
Total Assets		**20,847,085**	20,211,911
Equity And Liabilities			
Capital And Reserves			
Issued capital	18	**4,610,000**	4,610,000
Reserves		**8,798,941**	8,876,281
Proposed dividends	19	**-**	368,800
Equity attributable to owners of the parent		**13,408,941**	13,855,081
Non-controlling interests		**1,000,462**	1,026,493
Total Equity		**14,409,403**	14,881,574

Interim Condensed Consolidated Statement of Financial Position - continued

At 30 June 2016

	Notes	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Non-Current Liabilities			
Benefits liability		36,953	41,276
Interest-bearing bank and other borrowings	20	1,020,000	900,000
Deferred tax liabilities	14	55,699	54,937
Deferred revenue		136,789	137,669
Obligation under finance lease	23	1,426,082	-
Other long-term liabilities		114,683	114,922
		2,790,206	1,248,804
Current Liabilities			
Interest-bearing bank and other borrowings	20	1,498,396	67,280
Trade payables	21	642,681	924,515
Bills payable	21	129,231	107,271
Other payables and accruals	22	1,303,818	1,422,599
Obligations under finance lease	23	60,000	1,322,731
Obligation arising from a put option to a non-controlling shareholder	24	-	82,549
Derivative financial instruments	25	-	52,133
Income tax payable		13,350	102,455
		3,647,476	4,081,533
Total Liabilities		6,437,682	5,330,337
Total Equity And Liabilities		20,847,085	20,211,911
Net Current Assets		5,497,811	4,065,213
Total Assets Less Current Liabilities		17,199,609	16,130,378
Net Assets		14,409,403	14,881,574

Xia Qing Long
Director

Lee Kit Ying
Director

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	Attributable to owners of the parent			
	Issued Capital RMB'000	Capital reserve RMB'000 (Note i)	Statutory surplus reserve RMB'000 (Note ii)	Special reserve RMB'000 (Note iii)
Balance at 1 January 2016	**4,610,000**	**1,007,237**	**995,107**	**40,133**
Loss for the period	-	-	-	-
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	-	-
Non-controlling interests arising upon expiry of Put Option to the non-controlling shareholder (note 24)	-	-	-	-
Loss of control over a subsidiary (note 26)	-	-	2,739	-
Appropriation of safety fund	-	-	-	20,390
Utilisation of safety fund	-	-	-	(9,452)
Final 2015 dividends declared	-	-	-	-
Dividends paid and payable to non-controlling interests	-	-	-	-
Balance at 30 June 2016 (unaudited)	**4,610,000**	**1,007,237**	**997,846**	**51,071**
Balance at 1 January 2015	4,610,000	1,007,237	940,287	29,384
Profit for the period	-	-	-	-
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	-	-
Appropriation of safety fund	-	-	-	19,827
Utilisation of safety fund	-	-	-	(8,684)
Final 2014 dividends declared	-	-	-	-
Dividends paid to non-controlling interests	-	-	-	-
Balance at 30 June 2015 (unaudited)	4,610,000	1,007,237	940,287	40,527

Note:

i. The capital reserve mainly comprises of (i) share premium arising from the issuance of H shares; and (ii) contribution and distribution from/to ultimate holding company.

ii. Statutory surplus reserve represents statutory reserve fund. In accordance with relevant rules and regulations in the People's Republic of China (the "PRC"), the Group's PRC subsidiaries are required to transfer an amount of their profit after income tax to the statutory reserve fund at financial year end, until the accumulated total of the fund reaches 50% of their registered capital. The appropriation to the statutory reserve fund is determined by the articles of association of the Company's subsidiaries and approval by the boards of directors of the subsidiaries.

iii. Special reserve represents safety fund. The Group's PRC subsidiaries are required to appropriate an amount of safety fund, in accordance with relevant PRC rules and regulations. Safety fund is used to improve, renovate and maintain safety facilities and equipment and update the safety supplies for the operation personnel, etc.

Retained profits RMB'000	Proposed dividends RMB'000	Translation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
6,878,044	**368,800**	**(44,240)**	**13,855,081**	**1,026,493**	**14,881,574**
(124,077)	**-**	**-**	**(124,077)**	**(17,943)**	**(142,020)**
-	**-**	**46,737**	**46,737**	**-**	**46,737**
(124,077)	**-**	**46,737**	**(77,340)**	**(17,943)**	**(95,283)**
-	**-**	**-**	**-**	**87,253**	**87,253**
(2,739)	**-**	**-**	**-**	**(87,253)**	**(87,253)**
(20,390)	**-**	**-**	**-**	**-**	**-**
9,452	**-**	**-**	**-**	**-**	**-**
-	**(368,800)**	**-**	**(368,800)**	**-**	**(368,800)**
-	**-**	**-**	**-**	**(8,088)**	**(8,088)**
6,740,290	**-**	**2,497**	**13,408,941**	**1,000,462**	**14,409,403**
6,482,756	553,200	(23,313)	13,599,551	1,149,735	14,749,286
504,984	-	-	504,984	35,807	540,791
-	-	(13,293)	(13,293)	-	(13,293)
504,984	-	(13,293)	491,691	35,807	527,498
(19,827)	-	-	-	-	-
8,684	-	-	-	-	-
-	(553,200)	-	(553,200)	-	(553,200)
-	-	-	-	(136,626)	(136,626)
6,976,597	-	(36,606)	13,538,042	1,048,916	14,586,958

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Six months ended	
	30 June 2016 (Unaudited) RMB'000	30 June 2015 (Unaudited) RMB'000
Net cash from operating activities	**221,074**	571,784
Net cash used in investing activities:		
Purchases of property, plant and equipment	**(326,361)**	(288,684)
Dividends received from associates	**250**	-
Net cash outflow on loss of control of a subsidiary	**(1,411)**	-
Withdrawal of time deposits	**26,159**	-
Placement of time deposits	**(25,683)**	(35,447)
Withdrawal of pledged bank deposit	**-**	509
Purchase of available-for-sale investment	**(6,630,000)**	(6,057,000)
Disposal of available-for-sale investment	**6,744,384**	6,192,355
Interest received	**3,557**	4,811
Other investing cash flows	**543**	136
	(208,562)	(183,320)
Net cash from/ (used in) financing activities:		
Dividends paid	**(368,800)**	(553,200)
Dividends paid to non-controlling interests	**(2,000)**	(136,626)
New bank borrowings raised	**2,903,302**	1,568,306
Repayment of bank borrowings	**(1,353,567)**	(1,174,712)
Borrowing raised from finance lease	**2,000,000**	-
Repayment of obligations under finance lease	**(1,872,559)**	(131,397)
Interest paid	**(44,572)**	(9,691)
	1,261,804	(437,320)
Net increase/(decrease) in cash and cash equivalents	**1,274,316**	(48,856)
Cash and cash equivalents at 1 January	**5,313,907**	5,525,928
Effect of foreign exchange rate changes	**5,717**	(2,819)
Cash and cash equivalents at 30 June, represented by bank balances and cash	**6,593,940**	5,474,253

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

1. Corporate information and basis of preparation

China BlueChemical Ltd. (the "Company") was established in the People's Republic of China (the "PRC") and the registered office of the Company is located at No. 1 Zhu Jiang South Street, Dongfang City, Hainan Province, the PRC. The immediate holding company and ultimate holding company of the Company is China National Offshore Oil Corporation ("CNOOC"), a state-owned enterprise established in the PRC.

The Company's ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKSE").

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 and compound fertiliser.

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

2. Principal accounting policies

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards ("IFRSs") issued by the IASB that are relevant, among others, for the preparation of Group's condensed consolidated financial statements, and the application of which has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements:

Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendment to IAS 1	Discourse Initiative
Amendment to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception

Notes to the Interim Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2016

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 and woven plastic bags.

Segment performance is evaluated based on segment result and is measured consistently with profit before tax in the condensed consolidated financial statements. However, segment result for each operating segment does not include interest and unallocated income, corporate and other unallocated expenses, finance costs, net exchange gains, change in fair value of derivative financial instruments, share of losses of joint ventures and associates and income tax expenses, which are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are determined on an arm's length basis in a manner similar to transactions with third parties. Inter-segment sales are eliminated on consolidation.

Notes to the Interim Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2016

3. Operating segment information - continued

	Urea RMB'000	Phosphorus and compound fertiliser RMB'000	Methanol RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Six months ended 30 June 2016 (Unaudited)						
Segment revenue:						
Sales to external customers	1,277,912	863,320	1,169,036	567,299	-	3,877,567
Inter-segment sales	-	-	-	80,706	(80,706)	-
Total	1,277,912	863,320	1,169,036	648,005	(80,706)	3,877,567
Segment results:						
Segment (loss)/profit before tax	(191,494)	(58,458)	(32,573)	67,895	-	(214,630)
Interest and unallocated income						123,228
Corporate and other unallocated expenses						(114,177)
Exchange loss, net						(11,392)
Share of losses of joint ventures						(609)
Share of losses of associates						(675)
Change in fair value of obligation arising from a put option to a non-controlling shareholder						(1,519)
Change in fair value of derivative financial instrument						(1,689)
Gain recognised on expiry of the Put Option and Call Option						53,822
Gain recognised on loss of control of a subsidiary						6,282
Loss before tax						(161,359)
Six months ended 30 June 2015 (Unaudited)						
Segment revenue:						
Sales to external customers	1,545,317	1,217,822	1,364,490	617,714	-	4,745,343
Inter-segment sales	-	-	-	93,673	(93,673)	-
Total	1,545,317	1,217,822	1,364,490	711,387	(93,673)	4,745,343
Segment results:						
Segment profit before tax	424,372	92,431	73,082	10,623	-	600,508
Interest and unallocated income						145,575
Corporate and other unallocated expenses						(60,787)
Exchange gains, net						8,069
Change in fair value of obligation arising from a put option to a non-controlling shareholder						3,796
Change in fair value of derivative financial instrument						2,130
Share of losses of joint ventures						(97)
Share of losses of associates						(2,399)
Profit before tax						696,795

Notes to the Interim Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2016

4. Revenue, other income and gains

An analysis of revenue, other income and gains is as follows:

	Six months ended	
	30 June 2016 (Unaudited) RMB'000	30 June 2015 (Unaudited) RMB'000
Revenue		
Sale of goods	**3,688,376**	4,535,908
Rendering of services	**189,191**	209,435
	3,877,567	4,745,343
Other income and gains		
Gain on maturity of unlisted investment	**114,384**	135,355
Gain on disposal of items of property, plant and equipment	**507**	-
Income from sale of other materials	**3,236**	4,260
Income from rendering of other services	**1,176**	3,270
Gross rental income	**4,264**	659
Government grants	**6,400**	3,623
Others	**2,676**	4,138
	132,643	151,305

Notes to the Interim Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2016

5. Finance costs

	Six months ended	
	30 June 2016 (Unaudited) RMB'000	30 June 2015 (Unaudited) RMB'000
Interest on bank and financial institution borrowings	**52,011**	74,640
Finance charges payable under obligations under finance lease	**19,648**	4,505
Total interest expense on financial liabilities not at fair value through profit or loss	**71,659**	79,145
Less: Interest capitalised on qualifying assets	**-**	(64,311)
	71,659	14,834

6. Exchange (losses)/gains

	Six months ended	
	30 June 2016 (Unaudited) RMB'000	30 June 2015 (Unaudited) RMB'000
Exchange gains	**14,739**	19,936
Less: Exchange losses	**(26,131)**	(11,867)
	(11,392)	8,069

Notes to the Interim Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2016

7. Income tax expenses

	Six months ended	
	30 June 2016 (Unaudited) RMB'000	30 June 2015 (Unaudited) RMB'000
Current tax		
PRC Enterprise Income Tax	**26,395**	127,894
Over provision in prior year	**(5,230)**	(1,010)
	21,165	126,884
Deferred tax	**(40,504)**	29,120
	(19,339)	156,004

The tax charge for the period can be reconciled to the profit or loss per the consolidated statement of profit or loss as follows:

	Six months ended	
	30 June 2016 (Unaudited) RMB'000	30 June 2015 (Unaudited) RMB'000
(Loss)/Profit before tax	**(161,359)**	696,795
Tax at the statutory tax rate of 25%	**(40,340)**	174,199
Income tax on concessionary rate	**(7,737)**	(30,785)
Over provision in respect of prior years	**(5,230)**	(1,010)
Tax effect of share of losses of joint ventures and associates	**321**	624
Tax effect of change in fair value of obligation to a non-controlling shareholder	**380**	(949)
Tax effect of gain on loss of control of a subsidiary	**(1,571)**	-
Tax effect of tax losses not recognised	**37,287**	12,665
Tax effect of deductible temporary differences not recognised	**203**	3,653
Utilization of deductible temporary differences not recognised	**(378)**	(1,454)
Others	**(2,274)**	(939)
Income tax	**(19,339)**	156,004
The Group's effective income tax rate	**12%**	22%

CNOOC Fudao Limited and Hubei Dayukou Chemical Co., Ltd., subsidiaries of the Company, are entitled to preferential Enterprise income tax ("EIT") rate of 15% for the three years ending 31 December 2016 after being assessed as a high-tech enterprise.

CNOOC (Hainan) E&P Gas Limited, a subsidiary of the Company, is taxed at 90% of its taxable income, as CNOOC (Hainan) E&P Gas Limited is entitled to a tax incentive for its efficient use of resources in preferential.

Notes to the Interim Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2016

8. (Loss)/profit for the period

The Group's (loss)/profit for the period is arrived at after charging and crediting:

	Six months ended	
	30 June 2016 (Unaudited) RMB'000	30 June 2015 (Unaudited) RMB'000
Cost of inventories sold	**3,605,911**	3,675,606
Cost of services provided	**128,573**	142,993
Depreciation of property, plant and equipment	**477,639**	388,633
Amortisation of mining rights	**1,246**	1,118
Amortisation of prepaid lease payments	**8,185**	7,683
Amortisation of intangible assets	**3,300**	2,543
Write-down of inventories to net realisable value, included in cost of sales	**42,158**	-

9. (Loss)/earnings per share

	Six months ended	
	30 June 2016 (Unaudited) RMB'000	30 June 2015 (Unaudited) RMB'000
(Loss)/profit for the period attributable to owners of the parent	**(124,077)**	504,984

	Six months ended	
	30 June 2016 '000	30 June 2015 '000
Number of ordinary shares	**4,610,000**	4,610,000

The Group had no potential dilutive ordinary shares in issue during the six months ended 30 June 2016 and the six months ended 30 June 2015.

10. Property, plant and equipment

During the six months ended 30 June 2016, the Group acquired property, plant and equipment including construction in progress with an aggregate cost amounting to approximately RMB93,842,000(six months ended 30 June 2015: RMB432,753,000). Property, plant and equipment with carrying amount of approximately to RMB4,155,000(six months ended 30 June 2015: RMB40,196,000) were disposed of during the six months ended 30 June 2016.

Notes to the Interim Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2016

11. Prepaid lease payments

The Group did not acquire land use right during the six months ended 30 June 2016 (six months ended 30 June 2015: acquired land use rights of RMB30,208,000 with a prepayment made in 2014). There is no disposal of land use right during the six months ended 30 June 2016 and 2015.

As of the date of issuance of the interim financial statements, the land use right certificate held by CNOOC HualuShanxi Coal Chemical Co., Ltd. ("CNOOC Hualu") has not been invalidated after CNOOC Hualu was served the relevant seizure notification by the local land bureau and provided full impairment against the carrying amount of the land use right in 2014. In addition, the directors of the Company are of the view that there is no evidence the payables for acquisition of the said land use right amounting to RMB26,339,000 (31 December 2015: RMB26,339,000), presented under "Other long term liabilities" and "Other payables and accruals", are no longer payable.

12. Investment in joint ventures

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Cost of investment in joint ventures	**280,837**	215,167
Share of post-acquisition profits and other comprehensive income, net of dividends received	**(1,463)**	(2,718)
	279,374	212,449

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
Guizhou Jinlin Chemical Co., Ltd. (貴州錦麟化工有限責任公司)	PRC 12 April 2007	**RMB481,398**	Direct Indirect	**41.26** -	Phosphorus mining and processing manufacture and sales of phosphorus ore and chemical products
Yantai Port Fertiliser Logistics Co., Ltd. (煙台港化肥物流有限公司)	PRC 20 July 2011	**RMB122,500**	Direct Indirect	**27.00** -	Cargo handling, warehousing, packaging and domestic freight forwarding
CBC (Canada) Holding Corp ("CBC (Canada)") (中海化學(加拿大)控股公司)	Canada 28 May 2013	**CAD$24,000**	Direct Indirect	**60.00** -	Investment holding

As at 1 April 2016, the Company lost control and retains joint control over CBC (Canada) as a joint venture of the Group, as detailed in note 26. During the three-month period ended 30 June 2016, the Group equity-accounted for its share of CBC (Canada)'s net loss and translation gain for the same period amounting to RMB453,000 and RMB1,865,000, respectively, with the carrying amount of investment in CBC (Canada) measured at RMB67,082,000 as at 30 June 2016.

Notes to the Interim Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2016

13. Investment in associates

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Cost of investment in associates	**637,900**	715,501
Share of post-acquisition profits and other comprehensive income, net of dividends received	**(453,602)**	(429,356)
Loss on deemed disposal of Western Potash Corporation ("WPC")	**-**	(30,170)
	184,298	255,975

The Group's other receivables with its associates are disclosed in note 16.

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

Name of the entity	Place and date of incorporation and operation	Registered capital '000		Percentage of equity interest attributable to the Company 30 June 2016	31 December 2015	Principal activities
Shanxi HualuYangpoquan Coal Mining Co., Ltd. ("Yangpoquan Coal") (Note i) (山西華鹿陽坡泉煤礦有限公司)	PRC 3 August 2001	**RMB52,000**	Direct Indirect	**49** **-**	49 -	Mining and sale of coal
China Basuo Overseas Shipping Agency Co., Ltd. (中國八所外輪代理有限公司)	PRC 24 May 2000	**RMB1,800**	Direct Indirect	**-** **36.56**	- 36.56	Provision of overseas shipping services
WPC (Note ii) (西鉀公司)	Canada 5 April 2007	**CAD$140,944**	Direct Indirect	**-** **-**	- 10.1	Acquisition, evaluation, and exploration of mineral properties containing potash

Note i: As of the date of issuance of the interim financial statements, China Cinda Asset Management Co., Ltd. ("Cinda"), who took over defaulted outstanding debts payable by Yangpoquan Coal ("the Debts") from Industrial and Commercial Bank of China Limited ("ICBC") in 2015, has not initiated any proceeding to exercise its rights assumed from ICBC. After recognition of impairment against the carrying amount of investment in Yangpoquan Coal in 2014 due to unsuccessful Yangpoquan Coal's assets foreclosures by ICBC, the directors of the Company are of the view that no further impairment indication presents and no further impairment charge is required for the current period.

Note ii: During the period, the Company lost control over CBC (Canada) (note 26) and significant influence over WPC held by CBC (Canada).

Notes to the Interim Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2016

14. Deferred tax assets

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Deferred tax assets	718,841	677,575
Deferred tax liabilities	(55,699)	(54,937)
	663,142	622,638

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and preceding interim periods:

	Accelerated tax depreciation RMB'000	Impairment losses RMB'000	Wages and salaries RMB'000	Financial instruments fair value changes RMB'000	Fair value adjustment on acquisition of subsidairies RMB'000	Unused tax losses RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2015 (Audited)	29,505	517,463	10,027	12,518	(58,866)	115,339	3,566	629,552
(Charge) credit to profit or loss	(804)	14	(831)	(533)	(762)	(27,750)	1,546	(29,120)
As at 30 June 2015 (Unaudited)	28,701	517,477	9,196	11,985	(59,628)	87,589	5,112	600,432
(Charge) credit to profit or loss	(1,118)	7,949	85	1,048	4,691	14,877	(5,326)	22,206
As at 31 December 2015 and 1 January 2016 (Audited)	27,583	525,426	9,281	13,033	(54,937)	102,466	(214)	622,638
(Charge) credit to profit or loss	(534)	(1,294)	(947)	(13,033)	(762)	51,730	5,344	40,504
As at 30 June 2016 (Unaudited)	27,049	524,132	8,334	-	(55,699)	154,196	5,130	663,142

As at 30 June 2016, the Group has unused tax losses of RMB1,080,059,000(31 December 2015: RMB723,994,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB616,783,000(31 December 2015: RMB409,865,000) of such losses. No deferred tax asset has been recognised in respect of the remaining RMB463,276,000(31 December 2015: RMB314,129,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of RMB463,276,000(31 December 2015: RMB314,129,000) that will expire in 5 years.

At the end of the reporting period, the Group has deductible temporary differences of RMB81,593,000(31 December 2015: RMB145,620,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Notes to the Interim Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2016

15. Trade receivables and bills receivable

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

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

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Trade receivables	**307,397**	659,092
Bills receivable	**64,536**	124,820
	371,933	783,912

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

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Within six months	**369,583**	779,823
Over six months but within one year	**6**	1,861
Over one year but within two years	**1,373**	1,314
Over two years but within three years	**971**	914
	371,933	783,912

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

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Neither past due nor impaired	**371,565**	781,806
Less than one month past due	**6**	1,861
One to three months past due	**362**	245
	371,933	783,912

Receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

Notes to the Interim Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2016

15. Trade receivables and bills receivable - continued

Receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, the management is of the opinion that no allowance for doubtful debts is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

As at 30 June 2016, the amounts due from CNOOC, its subsidiaries, and associates, (other than the ultimate holding company collectively referred to as the "CNOOC group companies") included in the above trade receivable balances are in aggregate RMB50,412,000 (31 December 2015: RMB444,379,000). The amounts due are unsecured, non-interest-bearing and repayable on similar credit terms to those offered to the major customers of the Group.

As at 30 June 2016, the Group has transferred bills receivable through endorsement to its suppliers to settle its payables amounted to RMB83,369,000 (31 December 2015: RMB107,968,000). As at 30 June 2016, the Group discounted bills receivable with an aggregate carrying amount of RMB177,368,000 to a bank for cash proceeds of RMB173,078,000 (31 December 2015: discounted bills receivable with an aggregate carrying amount of RMB44,980,000 to a bank for cash proceeds of RMB44,235,000). The directors of the Company 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. Hence, the Group has derecognised these bills receivable and payables to suppliers in its entirety, given the limited exposure in respect of the settlement obligation of these bills receivable.

All the bills receivables endorsed to suppliers of the Group have a maturity date of less than six months from the end of the reporting period.

16. Prepayments, deposits and other receivables

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Prepayments	**314,455**	221,603
Prepaid lease payments	**15,190**	15,190
Deposits and other receivables	**73,996**	70,733
Value Added Tax ("VAT") recoverable	**316,666**	300,670
	720,307	608,196

The amounts due from the ultimate holding company, CNOOC group companies and associates included in the above are analysed as follows:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Ultimate holding company	**-**	-
CNOOC group companies	**23,390**	25,283
Associates	**10,042**	8,155
	33,432	33,438

The amounts are unsecured, non-interest-bearing and have no fixed terms of repayment.

Notes to the Interim Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2016

17. Bank balances and cash

The Group's bank balances and cash were denominated in RMB as at 30 June 2016 and 31 December 2015, except for amounts of RMB315,493,000 (31 December 2015: RMB221,871,000) which was translated from US$47,577,000 (31 December 2015: US$34,168,000); RMB Nil (31 December 2015: RMB39,000) which was translated from HK$ Nil (31 December 2015: HK$47,000); RMB Nil (31 December 2015: RMB31,245,000) which was translated from CAD$ Nil (31 December 2015: CAD$6,674,000); and RMB23,000 (31 December 2015: RMB22,000) which was translated from EUR$3,000 (31 December 2015: EUR$3,000).

As at 30 June 2016, included in the Group's bank balances and cash were RMB447,017,000 (31 December 2015: RMB467,906,000) deposited in CNOOC Finance Corporation Limited ("CNOOC Finance"). The deposits with CNOOC Finance are entitled to interest at rates similar to the prevailing bank deposit.

18. Issued capital

	Number of shares '000	Nominal value RMB'000
Registered capital	4,610,000	4,610,000
Issued and fully paid:		
Domestic Shares of RMB1 each, currently not listed:		
- State-owned shares	2,739,000	2,739,000
- Other legal person shares	75,000	75,000
Unlisted Foreign Shares of RMB1 each	25,000	25,000
H shares of RMB1 each	1,771,000	1,771,000
As at 30 June 2016 (unaudited) and 31 December 2015 (audited)	4,610,000	4,610,000

19. Proposed dividends

Pursuant to the articles of association of the Company, the net profit after 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 current interim period, a final dividend of RMB0.08 per share in respect of the year ended 31 December 2015 (six months ended 30 June 2015: a final and special dividend of RMB0.12 per share in total in respect of the year ended 31 December 2014) was declared and paid to the owners of the Company. The amount of dividend declared and paid in the interim period of 2016 amounted to RMB368,800,000 (six months ended 30 June 2015: RMB553,200,000).

The board of directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

Notes to the Interim Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2016

20. Interest-bearing bank and other borrowings

During the six months ended 30 June 2016, the Group obtained new unsecured loans denominated in RMB amounting to RMB1,443,500,000 (six months ended 30 June 2015: RMB348,000,000) from banks and RMB1,065,000,000 (six months ended 30 June 2015: RMB635,000,000) from CNOOC Finance. RMB2,388,500,000 of the said loans are repayable by 23 June 2017, bearing variable interest rate ranging from 3.48% to 4.35%; and RMB120,000,000 of the said loans are repayable by December 2021, bearing variable interest rate 4.41%. In the same period, the Group also obtained new unsecured loans denominated in USD amounting to RMB394,802,000 (six months ended 30 June 2015: RMB519,298,000) from banks and Nil (six months ended 30 June 2015: RMB66,008,000) from CNOOC Finance, all of which are bearing variable interest rate ranging from 1.42% to 1.47%. The said loans are repayable by 19 August 2016.

The proceeds from bank and other loans raised during the current period are to be used for financing working capital.

21. Trade payables and bills payable

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

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Trade payables	**642,681**	924,515
Bills payable	**129,231**	107,271
	771,912	1,031,786

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

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Within six months	**718,733**	1,002,450
Over six months but within one year	**29,604**	4,893
Over one year but within two years	**4,267**	11,250
Over two years but within three years	**6,757**	12,034
Over three years	**12,551**	1,159
	771,912	1,031,786

As at 30 June 2016, the amounts due to CNOOC group companies included in the above trade payables and bills payable balances amounted to RMB378,658,000 (31 December 2015: RMB198,819,000).

Notes to the Interim Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2016

22. Other payables and accruals

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Advances from customers	**373,127**	341,484
Accruals	**50,403**	8,925
Accrued payroll	**120,065**	157,452
Other payables	**268,729**	190,478
Dividend payable	**6,168**	80
Long-term liabilities due within one year	**1,798**	1,798
Interest payable	**5,074**	2,089
Payables to government	**97,603**	97,603
Other tax payables	**10,997**	24,834
Port construction fee payable	**164,656**	164,656
Payables in relation to the construction and purchase of property, plant and equipment	**205,198**	433,200
	1,303,818	1,422,599

As at 30 June 2016, the amounts due to the ultimate holding company, CNOOC group companies 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:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Due to the ultimate holding company	**532**	532
Due to CNOOC group companies	**65,984**	80,983
Due to other related parties	**7,304**	8,812
	73,820	90,327

23. Obligations under finance lease

The Group entered into sale and leaseback arrangements with CNOOC International Financial Leasing Limited ("CNOOC Leasing") for certain of its manufacturing equipment which results in obligations under finance leases. Under the new sale and leaseback contracts signed in current period, the lease terms are extended from one year to three years and will be renewed no later than the end of the lease terms. Interest rates are round 2.66% per annum varying based on the benchmark interest rate of the People's Bank of China. The Group has option to purchase the equipment for a nominal amount at the end of the lease terms. No arrangements have been entered into for contingent rental payments.

Notes to the Interim Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2016

23. Obligations under finance lease - continued

	Minimum lease payments		Present value of minimum lease payments	
	30/06/2016 RMB'000	31/12/2015 RMB'000	30/06/2016 RMB'000	31/12/2015 RMB'000
Amounts payable under finance leases	**1,597,715**	1,351,387	**1,486,082**	1,322,731
Less: future finance charges	**111,633**	28,656	**-**	-
Present value of lease obligations	**1,486,082**	1,322,731	**1,486,082**	1,322,731
Due for settlement within 12 months	**60,000**	1,322,731	**60,000**	1,322,731
Due for settlement over 12 months	**1,426,082**	-	**1,426,082**	-

24. Obligation arising from a put option to a non - controlling shareholder and derivative financial instruments

On 28 May 2013, the Company entered into an agreement (the "Agreement") with Benewood Holdings Corporation Limited ("Benewood"), a third party to incorporate CBC (Canada). The Company and Benewood agreed to invest CAD$24,000,000 (equivalent to approximately RMB141,363,000) and CAD$16,000,000 (equivalent to approximately RMB94,242,000) to hold 60% and 40% equity interest in CBC (Canada) respectively.

Through initial subscription to newly issued common shares in WPC in 2013 and subsequent additional shares subscription as well as capital injection by a third party in WPC in 2015, as disclosed in the annual consolidated financial statements for the year ended 31 December 2015, CBC (Canada) held 10.1% equity interest in WPC as at 30 June 2016 and 31 December 2015.

As at 1 April 2016, the Company lost control over CBC (Canada) and significant influence over WPC held by CBC (Canada), as detailed in note 26. Prior to 1 April 2016, the Company considered CBC (Canada) as a subsidiary since its incorporation given it has unilateral control through 60% voting rights in CBC (Canada).

Pursuant to the terms in the Agreement and subsequent amendment as disclosed in the annual consolidated financial statements for the year ended 31 December 2015, the Company initially recognised an obligation, arising from the Benewood's right to sell to the Company all of its equity interest in CBC (Canada) for cash (the "Put Option"), at present value of the obligation to deliver the share redemption amount at discount rate of 3.91%, based on the interest yield curve of LIBOR. This amount had been recognised as a liability and subsequently measured at its fair value in the annual consolidated statements of financial position.

The Put Option was forgone without further extension by mutual agreement between Benewood and the Company on 15 March 2016 pursuant to an arrangement detailed in note 26 ("the Arrangement"). Hence the carrying amounts of the liability as at 15 March 2016 was credit to the non-controlling interests and the entire balance of non-controlling interests related to CBC (Canada) was subsequently derecognised on 1 April 2016 to reflect the loss of control over CBC (Canada) (note 26). During the period ended from 1 January 2016 to 15 March 2016, change in fair value of the liability amounted to RMB1,519,000 was recognised in the profit or loss.

The Put Option which will be settled other than by exchange of fixed amount of cash for a fixed number of shares of a subsidiary and a call option which was exercisable by the Company against Benewood under the conditions as disclosed in the last annual consolidated financial statements (the "Call Option"), were accounted for as derivative financial instruments and are recognised at fair value in accordance with IAS 39 Financial Instruments: Recognition and Measurement. The fair value of the Put Option and Call Option was approximately RMB52,133,000 as at 31 December 2015 and approximately RMB53,822,000 as at 15 March 2016, which was credited to the profit or loss in the current interim period upon expiry.

Notes to the Interim Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2016

25. Fair value measurements of financial instruments

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the condensed consolidated financial statements not measured at fair value on a recurring basis (but fair value disclosures are required) approximate their fair values. The following methods and assumptions were used to estimate the fair values:

The fair values of trade receivables, bills receivable, financial assets included in prepayments, deposits and other receivables, pledged bank deposits, time deposits, cash and cash equivalents, trade payables, bills payable, current portion of interest-bearing bank borrowings, financial liabilities included in other payables and accruals, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The carrying amounts of the non-current portion of interest-bearing bank borrowings approximate their fair values as the interest rates will adjust periodically based on People's Bank of China's benchmark rates and is close to market interest rate.

The recurring fair value measurement and fair value hierarchy for the derivative financial instrument and obligation arising from put option granted to a non-controlling shareholder, are as follows:

Financial assets /financial liabilities	Fair value as at 30 June 2016 (Unaudited) RMB'000	Fair value as at 31 December 2015 (Audited) RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Put option and Call option classified as derivative financial instruments	-	52,133	Level 3	Black-Scholes option pricing model. Key inputs include volatility and, expected life of the option	Expected life of the option	The longer the life, the higher the fair value
Obligation arising from a put option to a non-controlling shareholder	-	82,549	Level 2	Discounted cash flow. Key input includes discount rate based on interest yield curve of LIBOR	N/A	N/A

Reconciliation of Level 3 fair value measurements of derivative financial instruments

	30 June 2016 (Unaudited) RMB'000
At 1 January 2016	**52,133**
Fair value loss recognised in profit or loss	**1,689**
Gain recognised in profit or loss on expiry of the Put Option and Call Option	**(53,822)**
At 30 June 2016	**-**

The fair value measurements and valuation processes of the Group are the same as those followed in the year ended 31 December 2015. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

Notes to the Interim Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2016

26. Gain on loss of control of a subsidiary

The Company lost its control of CBC (Canada), a then subsidiary, when Benewood and the Company mutually agreed in writing on 1 April 2016 to establish joint control over CBC (Canada) by requiring unanimous votes in all CBC (Canada)'s resolutions, in return of the surrender of Put Option and Call Option held by Benewood and the Company, respectively.

The Company considers CBC (Canada) as a joint venture effective from 1 April 2016. Hence,the Group derecognised on the same day the carrying amounts of assets, liabilities and non-controlling interests as well as reclassified to profit or loss the amounts previously recognised in other comprehensive income in relation to CBC (Canada) and recognised at fair value its investment retained in CBC (Canada), with the resulting difference recognised as a gain in profit or loss attributable to the parent, as presented below.

	1 April 2016 (Unaudited) RMB'000
Fair value of investment retained in CBC (Canada)	**65,670**
Net assets disposed of	**(109,450)**
Non-controlling interests	**87,253**
Cumulative exchange translation loss in respect of the net assets of CBC (Canada) reclassified from equity to profit or loss	**(37,191)**
Gain on loss of control of CBC (Canada)	**6,282**

27. Commitments and contingent liabilities

a. Contingent liabilities

In July 2014, Yangpoquan Coal commenced arbitration against the Company in respect of its interrupted operation in Yangpoquan Coal due to its disputes with the Company regarding the management of Yangpoquan Coal and other matters and claims compensation for damages for its losses suffered as a result of the aforesaid matters. The third hearing was held on 22 April 2015, now pending for arbitration awarded. The Group has been advised by its legal counsel that it is not probable that a significant liability will arise. Accordingly, no provision in relation to this claim has been recognised in these condensed consolidated financial statements.

b. Capital commitments

As at 30 June 2016 and 31 December 2015, the Group had the following capital commitments:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Contracted, but not provided for acquisition of plant and machinery	**100,607**	99,682

Notes to the Interim Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2016

27. Commitments and contingent liabilities - continued

c. Operating lease commitments

(i) As lessor

The Group leases certain of its land use right under operating lease arrangements with leases negotiated for terms from one year to twenty years to CNOOC group companies and third-party companies.

As at 30 June 2016 and 31 December 2015, the Group had total future minimum lease receivables from CNOOC group companies and third-party companies under non-cancellable operating leases falling due as follows:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Within one year	**21,177**	8,425
In the second to fifth years, inclusive	**10,175**	8,919
After five years	**1,447**	3,048
	32,799	20,392

(ii) As lessee

The Group leases certain of its properties and vehicles under operating lease arrangements. Leases for properties are negotiated for terms ranging from one month to eleven years, and those for vehicles are for terms ranging between one year and four years.

As at 30 June 2016 and 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Within one year	**10,629**	12,724
In the second to fifth years, inclusive	**8,156**	4,494
After five years	**15,685**	2,679
	34,470	19,897

Notes to the Interim Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2016

28. Related party transactions

(1) During the period, the Group had the following material transactions with related parties:

	Six months ended	
	30 June 2016 (Unaudited) RMB'000	30 June 2015 (Unaudited) RMB'000
(A) Included in revenue, other income and gains		
(a) CNOOC group companies		
Sale of goods	**105,054**	74,839
Provision of transportation services	**334**	410
Provision of packaging and assembling services	**50,309**	45,065
Provision of other services	**253**	331
	155,950	120,645
(b) Other related parties		
Sale of goods	**133,931**	153,166
(B) Included in cost of sales and other expenses		
(a) CNOOC group companies		
Purchase of raw materials	**1,162,953**	1,146,488
Lease of offices	**13,319**	11,060
Construction and installation services	**-**	1,580
Labour services	**15,674**	14,149
Network services	**475**	253
Logistics services	**968**	1,358
	1,193,389	1,174,888
(C) Included in finance income/costs		
(a) CNOOC Finance		
Finance income	**944**	1,839
Interest paid to CNOOC Finance	**7,669**	7,331
Fees and charges paid to CNOOC Finance	**534**	729
Loans received from CNOOC Finance	**1,065,000**	701,008
(D) Included in finance leaseback		
(a) CNOOC Leasing		
Finance lease charges	**7,136**	-
Interest on finance leaseback	**23,299**	4,505
Borrowing raised from finance leaseback	**2,000,000**	-

Notes to the Interim Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2016

28. Related party transactions - continued

(2) Balances with related parties

Details for following balances are set out in notes 15, 16, 17, 20, 21, 22 and 23 to the condensed consolidated financial statements. Those balances were mainly formed through routine trading transactions, reception of construction services, and other miscellaneous transactions with related parties.

	Due from related parties		Due to related parties	
	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
The ultimate holding company	-	-	532	532
CNOOC group companies (excluding CNOOC Finance)	73,802	469,662	1,932,563	1,604,762
Associates	10,042	8,155	-	-
CNOOC Finance	-	-	390,424	273
Other related parties	-	-	7,304	8,812

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Deposits placed by the Group with CNOOC Finance	447,017	467,906

(3) Compensation of key management personnel of the Group

	Six months ended	
	30June2016 (Unaudited) RMB'000	30June 2015 (Unaudited) RMB'000
Short-term employee benefits	1,016	1,068
Post-employment benefits	64	71
	1,080	1,139

Notes to the Interim Condensed Consolidated Financial Statements - continued

For the six months ended 30 June 2016

28. Related party transactions - continued

(4) Transactions with other state-owned enterprises ("SOE") in the PRC

The Group has entered into extensive transactions covering the sales of goods and rendering of services, receipt of construction services, purchases of goods, services or property, plant and equipment, with SOEs other than CNOOC group companies, in the normal course of business at terms comparable to those with other non-SOEs.

The Group's deposits and borrowings with certain state-owned banks in the PRC as at 30 June 2016 and 31 December 2015 are summarised below:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Cash and cash equivalents	**5,949,259**	4,820,348
Pledged bank deposits	**4,059**	4,059
Time deposits	**-**	30,429
	5,953,318	4,854,836
Short-term bank loans	**714,500**	-
Long-term bank loans	**1,020,000**	900,000

29. Events after the reporting period

There is no material event after the reporting period.

30. Approval of condensed consolidated financial statements

The condensed consolidated financial statements were approved and authorised for issue by the board of directors on 24 August 2016.

Company Information

Registered Office	No.1 Zhu Jiang South Street, Dongfang City, Hainan Province, the PRC
Address of headquarter	Kaikang CNOOC Mansion, No.15, Sanqu, Anzhenxili, Chaoyang District, Beijing, the PRC
Principal place of business in the PRC	No.1 Zhu Jiang South Street, Dongfang City, Hainan Province, the PRC
Representative Office in Hong Kong	65/F., Bank of China Tower, No.1 Garden Road, Central, Hong Kong
Company Secretary	Quan Changsheng
Authorized representatives	Xia Qinglong Quan Changsheng
Alternate to authorized representatives	Pan Ting
Principal banker	Bank of China, Hainan Branch
Auditor	Deloitte Touche Tohmatsu 35/F One Pacific Place, 88 Queensway, Hong Kong
Hong Kong law legal adviser	Freshfields Bruckhaus Deringer 11th Floor, Two Exchange Square, Central, Hong Kong
The PRC law legal adviser	Jun He Law Offices China Resources Building, 20th Floor, 8 Jianguomenbei Avenue
H Share registrar and transfer office	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East, Wanchai, Hong Kong
Investor Relations/Public Relations	
Hong Kong	Tel: (852) 22132533 Fax: (852) 25259322
Beijing	Tel: (86) 010 84527249 Fax: (86) 010 84527254
Webiste	www.chinabluechem.com.cn
Stock Code	Hong Kong Stock Exchange: 3983