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

(Stock Code: 3983)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023**

FINANCIAL HIGHLIGHTS

1. Revenue amounted to RMB12,990 million
2. Gross profit amounted to RMB2,061 million
3. Profit attributable to owners of the Company amounted to RMB2,382 million
4. Basic earnings per share amounted to RMB0.52
5. Proposed final dividends amounted to RMB0.207 per share

(I) AUDITED CONSOLIDATED FINANCIAL STATEMENTS**CONSOLIDATED STATEMENT OF PROFIT OR LOSS***For the year ended 31 December 2023*

		2023	2022
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	12,989,832	14,279,054
Cost of sales		<u>(10,928,762)</u>	<u>(11,742,407)</u>
Gross profit		2,061,070	2,536,647
Other income	4	89,717	76,656
Other gains and losses, net	5	(732)	420
Selling and distribution costs		(114,839)	(113,843)
Administrative expenses		(602,741)	(551,493)
Other expenses		(26,986)	(47,396)
Change in fair value of financial assets at fair value through profit or loss		88,284	93,040
Finance income	6	357,941	314,822
Finance costs	7	(34,185)	(29,394)
Impairment losses	8	(6,183)	(23,480)
Exchange (losses)/gains, net		(9,624)	9,360
Gain on disposal of subsidiaries	17	858,229	–
Share of profits of joint ventures		1,796	2,712
Share of profits of associates		<u>2,238</u>	<u>2,718</u>
Profit before income tax	8	2,663,985	2,270,769
Income tax expenses	9	<u>(289,887)</u>	<u>(472,037)</u>
Profit for the year		<u><u>2,374,098</u></u>	<u><u>1,798,732</u></u>
Profit attributable to:			
Owners of the Company	10	2,381,681	1,642,578
Non-controlling interests		<u>(7,583)</u>	<u>156,154</u>
		<u><u>2,374,098</u></u>	<u><u>1,798,732</u></u>
Earnings per share attributable to owners of the Company			
– Basic and diluted for the year (<i>RMB per share</i>)	10	<u><u>0.52</u></u>	<u><u>0.36</u></u>

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

For the year ended 31 December 2023

	2023	2022
	RMB'000	RMB'000
Profit for the year	<u>2,374,098</u>	<u>1,798,732</u>
Other comprehensive income for the year, net of tax:		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	52	184
Remeasurement loss on employee benefits liability	(1,171)	(11,968)
Share of other comprehensive (expense)/income of joint ventures	(3,923)	3,591
Share of other comprehensive income of associates	<u>22</u>	<u>204</u>
	<u>(5,020)</u>	<u>(7,989)</u>
Total comprehensive income for the year	<u><u>2,369,078</u></u>	<u><u>1,790,743</u></u>
Total comprehensive income/(expense) attributable to:		
Owners of the Company	2,376,661	1,634,589
Non-controlling interests	<u>(7,583)</u>	<u>156,154</u>
	<u><u>2,369,078</u></u>	<u><u>1,790,743</u></u>

Details of the proposed dividends for the year are disclosed in Note 14.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	<i>Notes</i>	2023 RMB'000	2022 RMB'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		7,142,912	7,037,734
Mining rights		128,113	129,176
Prepaid lease payments		342,775	359,510
Investment properties		68,979	65,194
Intangible assets		152,565	32,856
Interests in joint ventures	11	293,905	295,244
Interests in associates	12	126,162	34,423
Financial asset at fair value through other comprehensive income		600	600
Deferred tax assets		155,122	53,356
Other long-term prepayment for property, plant and equipment		121,168	4,810
Loan receivable		208,408	—
		<u>8,740,709</u>	<u>8,012,903</u>
CURRENT ASSETS			
Inventories		974,450	1,189,994
Trade receivables	13	56,513	284,584
Bills receivable		207,144	136,817
Contract assets		20,188	11,612
Prepayments, deposits and other receivables		890,414	588,240
Financial assets at fair value through profit or loss		2,893,726	3,617,572
VAT recoverable		226,814	164,006
Pledged bank deposits		10,119	4,203
Time deposits with original maturity over three months		9,700,000	8,400,000
Cash and cash equivalents		597,269	528,777
		<u>15,576,637</u>	<u>14,925,805</u>
A disposal group classified as held for sale	17	—	558,951
		<u>15,576,637</u>	<u>15,484,756</u>
TOTAL ASSETS		<u>24,317,346</u>	<u>23,497,659</u>
EQUITY			
CAPITAL AND RESERVES			
Issued capital		4,610,000	4,610,000
Reserves		12,736,800	11,316,560
Proposed dividends	14	954,270	820,580
		<u>18,301,070</u>	<u>16,747,140</u>
Equity attributable to owners of the Company		18,301,070	16,747,140
Non-controlling interests		1,106,088	1,029,450
		<u>19,407,158</u>	<u>17,776,590</u>
TOTAL EQUITY		<u>19,407,158</u>	<u>17,776,590</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*At 31 December 2023*

	<i>Notes</i>	2023 RMB'000	2022 <i>RMB'000</i>
LIABILITIES			
NON-CURRENT LIABILITIES			
Employee benefits liability		258,192	294,377
Interest-bearing bank and other borrowings		1,349,275	1,185,762
Lease liabilities		10,491	6,458
Deferred tax liabilities		16,430	14,217
Deferred revenue		129,937	112,000
Other long-term liabilities		1,789	5,736
		1,766,114	1,618,550
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		651,691	869,149
Trade payables	<i>15</i>	1,138,388	1,346,483
Contract liabilities		610,135	782,618
Other payables and accruals		640,911	628,066
Lease liabilities		9,995	16,986
Income tax payable		92,954	125,555
		3,144,074	3,768,857
Liabilities associated with a disposal group classified as held for sale	<i>17</i>	—	333,662
		3,144,074	4,102,519
TOTAL LIABILITIES		4,910,188	5,721,069
TOTAL EQUITY AND LIABILITIES		24,317,346	23,497,659
NET CURRENT ASSETS		12,432,563	11,382,237
TOTAL ASSETS LESS CURRENT LIABILITIES		21,173,272	19,395,140
NET ASSETS		19,407,158	17,776,590

(II) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL INFORMATION

China BlueChemical Ltd. (the “Company”) was established in the PRC on 3 July 2000 as a limited liability. The registered office of the Company is located at No.3 Park Third Road, Basuo Town, Dongfang City, Hainan Province, PRC.

In September and October 2006, the Company issued an aggregate 1,610,000,000 new H shares at a price of Hong Kong dollar (“HKD”) 1.90 per share to the public, which were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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

The ultimate holding company of the Company is China National Offshore Oil Corporation (“CNOOC”), a state-owned enterprise established in the PRC.

The consolidated financial statements are presented in Renminbi (“RMB”), which is the same as the functional currency of the Company.

2. ADOPTION OF IFRS ACCOUNTING STANDARDS AS ISSUED BY THE INTERNATIONAL ACCOUNTING STANDARDS BOARD (“IFRS ACCOUNTING STANDARDS”)

(a) Adoption of new or revised IFRS Accounting Standards

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2023:

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

None of the new or amended IFRS Accounting Standards have a material effect on the reported results or financial position of the Group for both current and prior reporting periods except as discussed below. The Group has not early applied any new or amended IFRS Accounting Standards or interpretations that are not yet effective for the current accounting period.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Group’s disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group’s financial statements.

(b) New or revised IFRS Accounting Standards that have been issued but are not yet effective

The following new or revised IFRS Accounting Standards, potentially relevant to the Group’s consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group’s current intention is to apply these changes on the date they become effective.

Amendments to IAS 1	Classification of Liabilities as Current or Non-current ¹
Amendments to IAS 1	Non-current liabilities with Covenants ¹
Amendments to IFRS 16	Lease liability in a Sale and Leaseback ¹
Amendments to IAS 7 and IFRS 7	Supplier Financial Arrangements ¹
Amendments to IAS 21	Lack of Exchangeability ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective for annual periods beginning on or after 1 January 2025

³ Effective for annual periods beginning on or after a date to be determined.

The directors of the Company do not anticipate that the applications of the amendments and revision in the future will have significant impacts on the financial statements.

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 phosphorus fertilisers which include MAP and DAP and compound fertilisers;
- (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 ("BB") fertiliser, POM, woven plastic bags and acrylonitrile.

Segment performance is evaluated based on segment result and is measured consistently with profit before income tax in the consolidated financial statements. However, the Group's finance income, finance costs, exchange (losses)/gains, net, other gains and losses, net, other expenses, share of results of associates and joint ventures, gains on disposal of subsidiaries, impairment losses, change in fair value of financial assets at fair value through profit or loss ("FVTPL") and income tax expenses are managed on a group basis and are not allocated to operating segments.

Inter-segment sales are determined on an arm's length basis in a manner similar to transactions with third parties.

Operating segments

	Urea RMB'000	Methanol RMB'000	Phosphorus and compound fertiliser RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Year ended 31 December 2023						
Segment revenue:						
Sales to external customers	4,676,853	3,033,373	2,707,045	2,572,561	–	12,989,832
Inter-segment sales	–	–	–	196,152	(196,152)	–
Total	<u>4,676,853</u>	<u>3,033,373</u>	<u>2,707,045</u>	<u>2,768,713</u>	<u>(196,152)</u>	<u>12,989,832</u>
Segment profit/(loss) before income tax	<u>967,274</u>	<u>637,163</u>	<u>130,419</u>	<u>(301,649)</u>	<u>–</u>	<u>1,433,207</u>
Interest and unallocated income						446,225
Corporate and other unallocated expenses						(68,086)
Exchange losses, net						(9,624)
Share of profits of joint ventures						1,796
Share of profits of associates						2,238
Gain on disposal of subsidiaries						858,229
Profit before income tax						<u>2,663,985</u>
As at 31 December 2023						
Total segment assets	3,267,268	1,546,674	1,699,339	17,405,050	(176,774)	23,741,557
Unallocated						575,789
Total assets						<u>24,317,346</u>
Total segment liabilities	561,639	283,766	420,843	3,546,092	(176,774)	4,635,566
Unallocated						274,622
Total liabilities						<u>4,910,188</u>
Other segment information:						
Depreciation and amortisation	299,542	63,088	136,490	128,394	–	627,514
Impairment loss of investment properties	–	–	2,690	–	–	2,690
Expected credit losses on trade and other receivables	–	–	7	3,486	–	3,493
Capital expenditure*	<u>198,358</u>	<u>44,886</u>	<u>99,963</u>	<u>432,156</u>	<u>–</u>	<u>775,363</u>

* Capital expenditure consists of additions to property, plant and equipment, prepaid lease payments and intangible assets.

	Urea RMB'000	Methanol RMB'000	Phosphorus and compound fertiliser RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Year ended 31 December 2022						
Segment revenue:						
Sales to external customers	4,968,600	3,511,267	3,267,883	2,531,304	–	14,279,054
Inter-segment sales	–	–	–	170,729	(170,729)	–
Total	4,968,600	3,511,267	3,267,883	2,702,033	(170,729)	14,279,054
Segment profit/(loss) before income tax	841,482	1,103,042	123,100	(119,657)	–	1,947,967
Interest and unallocated income						400,490
Corporate and other unallocated expenses						(92,478)
Exchange gains, net						9,360
Share of profits of joint ventures						2,712
Share of profits of associates						2,718
Profit before income tax						2,270,769
As at 31 December 2022						
Total segment assets	3,558,691	1,887,482	1,848,073	15,895,353	(634,514)	22,555,085
Unallocated						942,574
Total assets						23,497,659
Total segment liabilities	1,135,824	470,343	810,390	3,296,770	(634,514)	5,078,813
Unallocated						642,256
Total liabilities						5,721,069
Other segment information:						
Depreciation and amortisation	287,418	72,939	138,127	68,343	–	566,827
Impairment loss of investment properties	–	–	15,688	–	–	15,688
Expected credit losses on trade and other receivables	–	–	7,792	–	–	7,792
Capital expenditure*	134,562	45,397	62,250	969,680	–	1,211,889

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

- 1 Inter-segment revenues are eliminated on consolidation.
- 2 Segment assets do not include deferred tax assets, financial asset at FVOCI and interests in joint ventures and associates.
- 3 Segment liabilities do not include deferred tax liabilities and employee benefits liability.

Geographic information

(a) *Revenue from external customers, based on their locations*

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Sales to external customers:		
– PRC	12,942,371	13,844,634
– Others	47,461	434,420
	12,989,832	14,279,054

(b) *Non-current assets*

All of the non-current assets are located in the PRC.

Information about major customer

No single customer contributed 10% or more to the Group's revenue for both 2023 and 2022.

4. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the invoiced values of good sold, net of value added tax, and after allowances for returns and discounts, and the value of services rendered during the year.

An analysis of revenue and other income is as follows:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue		
Sale of goods, recognised at a point in time*	12,632,165	13,925,441
Render of services, recognised over time*	357,667	353,613
	<u>12,989,832</u>	<u>14,279,054</u>
Other income		
Income from sale of other materials, recognised at a point in time*	13,267	20,942
Income from render of other services, recognised over time*	4,742	4,638
Gross rental income	10,316	1,053
Government grants [^]	34,553	32,084
Indemnities received	3,535	3,053
Sundry income	23,304	14,886
	<u>89,717</u>	<u>76,656</u>

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

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

5. OTHER GAINS AND LOSSES, NET

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/gain on disposal of property, plant and equipment	(732)	420

6. FINANCE INCOME

Finance income represents interest income on bank and financial institution deposits during the year.

7. FINANCE COSTS

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank and other borrowings	33,315	27,623
Interest on lease liabilities	870	1,771
	<u>34,185</u>	<u>29,394</u>

8. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Cost of inventories sold	10,470,656	11,421,107
Write-down of inventories	104,493	20,654
Cost of services provided	<u>353,613</u>	<u>300,646</u>
Cost of sales recognised as expenses	10,928,762	11,742,407
Depreciation and amortisation*:		
Depreciation of property, plant and equipment		
– Owned property, plant and equipment	567,787	517,249
– Right-of-use assets included:		
– Buildings	20,298	15,739
– Plant and machinery	–	2,789
– Motor vehicles	363	–
Amortisation of mining rights	1,063	1,103
Amortisation of prepaid lease payments	9,704	15,118
Amortisation of investment properties	4,192	5,314
Amortisation of intangible assets	<u>24,107</u>	<u>9,515</u>
	627,514	566,827
Impairment loss of investment properties	2,690	15,688
Expected credit losses on trade and other receivables	<u>3,493</u>	<u>7,792</u>
	6,183	23,480
Auditors' remuneration:		
– Audit services	2,970	2,970
– Other services	–	465
Employee benefit expense (including directors' and supervisors' remunerations):		
– Wages and salaries	872,824	902,758
– Defined contribution pension scheme	255,870	228,596
– Early retirement benefits and post-employment allowances	7,492	17,563
– Housing fund	88,775	79,241
– Other benefits	<u>86,788</u>	<u>110,505</u>

* Depreciation and amortisation included in “cost of sales”, “selling and distribution costs” and “administrative expenses” amounting to approximately RMB555,217,000 (2022: RMB490,329,000), RMB3,292,000 (2022:RMB7,234,000) and RMB69,005,000 (2022: RMB69,264,000) respectively in the consolidated statement of profit or loss.

9. INCOME TAX EXPENSES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current tax		
PRC Enterprise Income Tax	380,015	475,136
Deferred tax	(99,575)	355
	<u>280,440</u>	<u>475,491</u>
Under/(over)-provision in respect of prior year	9,447	(3,454)
	<u><u>289,887</u></u>	<u><u>472,037</u></u>

The Group is subject to income tax on an entity basis on the profit arising in or derived from the tax jurisdictions in which subsidiaries of the Group are domiciled and operate.

(a) Enterprise Income Tax (“EIT”)

Under the Enterprises Income Tax Law of the PRC (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

(b) Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Profit before income tax	<u>2,663,985</u>	<u>2,270,769</u>
Tax at the statutory tax rate of 25%	665,996	567,692
Tax effect of income tax at concessionary rate	(82,615)	(63,444)
Under/(over)-provision in respect of prior year	9,447	(3,454)
Tax effect of share of profits of joint ventures and associates	(1,008)	(1,358)
Tax effect of tax losses not recognised	35,750	47,586
Utilisation of tax losses not previously recognised	(18,890)	(48,487)
Tax effect of income not taxable for tax	(319,628)	(31,641)
Tax effect of expenses not deductible for tax	835	5,143
	<u>289,887</u>	<u>472,037</u>
Income tax expenses	<u><u>289,887</u></u>	<u><u>472,037</u></u>
The Group’s effective income tax rate	<u><u>11%</u></u>	<u><u>21%</u></u>

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Earnings		
Profits for the year attributable to owners of the Company	<u>2,381,681</u>	<u>1,642,578</u>

	Number of shares	
	2023 '000	2022 '000
Shares		
Number of shares in issue during the year	<u>4,610,000</u>	<u>4,610,000</u>

The Group had no potential dilutive ordinary shares in issue during the year.

11. INTERESTS IN JOINT VENTURES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Cost of interests in joint ventures	266,199	265,299
Share of post-acquisition profits and other comprehensive income, net of dividends received	<u>27,706</u>	<u>29,945</u>
	<u>293,905</u>	<u>295,244</u>

The joint ventures are accounted for using the equity method in the consolidated financial statements.

Particulars of the joint ventures of the Group at the end of the reporting period are set out as follows:

Name of the entity	Place and date of incorporation and operation	Registered capital '000		Percentage of equity interest attributable		Principal activities
				to the Company		
				2023 %	2022 %	
貴州錦麟化工有限責任公司 (transliterated as Guizhou Jinlin Chemical Co., Ltd.)	PRC 12 April 2007	RMB584,221	Direct	33.99	33.99	Phosphorus mining and processing, manufacturing and sales of phosphorus ore and chemical products
CBC (Canada) Holding Corp. (中海化學(加拿大)控股公司)	Canada 28 May 2013	CAD24,000	Direct	60.00	60.00	Investment holding
海南八所港勞動服務有限公司 (transliterated as Hainan Basuo Port Labour Service Limited)	PRC 24 April 2005	RMB5,000	Indirect	36.56	36.56	Provision of overseas shipping services
中國八所外輪代理有限公司 (transliterated as China Basuo Overseas Shipping Agency Co., Ltd.) (Note (i))	PRC 16 October 2000	RMB1,800	Indirect	36.56	–	Provision of overseas shipping services

Notes:

- (i) Upon the amendment of the articles of the entity on 4 July 2023, each of the shareholders of the entity has the right to appoint equal numbers of directors who represent in the board of directors' meeting of the entity. The 36.56% of equity interest of the entity held by the Group was transferred from interests in associates (Note 12) to interests in joint ventures.

The following table illustrates the summarised financial information of Guizhou Jinlin Chemical Co., Ltd., the material joint venture of the Group which is accounted for using equity method:

**Guizhou Jinlin
Chemical Co., Ltd.**

2023 2022
RMB'000 *RMB'000*

As 31 December

Current assets	179,578	322,567
Non-current assets	674,729	495,943
Current liabilities	(56,915)	(40,090)
Non-current liabilities	(20,861)	(5,160)
	179,578	322,567

Year ended 31 December

Revenue	31,628	1,336
Profit/(loss) and total comprehensive income	3,271	(4,464)
	3,271	(4,464)

Reconciled to the Group's interests in the joint venture

Gross amounts of net assets of the joint venture	776,531	773,260
Group's effective equity interest	33.99%	33.99%
Group's share of net assets of the joint venture and carrying amount in the consolidated financial statements	263,943	262,831
	263,943	262,831

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

2023 2022
RMB'000 *RMB'000*

The Group's share of (losses)/profits and other comprehensive income	(3,239)	7,820
Aggregate carrying amounts of the Group's interests in joint ventures	29,962	32,413

12. INTERESTS IN ASSOCIATES

	2023 RMB'000	2022 RMB'000
Cost of interests in associates	124,079	33,031
Share of post-acquisition profits and other comprehensive income, net of dividends received	2,083	3,148
Accumulated impairment	—	(1,756)
	<u>126,162</u>	<u>34,423</u>

The above associates are accounted for using equity method in the consolidated financial statements.

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		Principal activities
				to the Company		
				2023 %	2022 %	
廣西富島農業生產資料有限公司 (transliterated as Guangxi Fudao Agricultural Means of Production Limited) (“Guangxi Fudao”) (Note (i))	PRC 11 January 2003	RMB30,000	Indirect	34.00	—	Trading of fertilisers and chemicals
中石油(內蒙古)新材料有限責任公司 (transliterated as PetroChina (Inner Mongolia) New Material Company Limited) (“New Material Company”) (Note (ii))	PRC 18 December 2000	RMB2,272,856	Direct	25.27	—	Manufacturing and sale of fertilisers and methanol
內蒙古鴻豐包裝有限責任公司 (transliterated as Inner Mongolia Hong Feng Packaging Co., Ltd.) (Note (iii))	PRC 9 December 1999	RMB3,297	Indirect	—	45.21	Manufacturing and sale of woven plastic bags
聯合惠農農資(北京)有限公司 (transliterated as United Agricultural Means of Production (Beijing) Co., Ltd.)	PRC 7 June 2016	RMB100,000	Direct	30.00	30.00	Merchandising
中國八所外輪代理有限公司 (transliterated as China Basuo Overseas Shipping Agency Co., Ltd.) (Note (iv))	PRC 16 October 2000	RMB1,800	Indirect	—	36.56	Provision of overseas shipping services

Notes:

- (i) Upon the completion of the capital increase agreement disclosed in Note 17(b), the remaining equity interest of 34% in Guangxi Fudao held by the Group was recognised as interests in associates.
- (ii) New Material Company (formerly known as CNOOC Tianye Chemical Limited), upon the completion of the equity transaction agreement disclosed in Note 17(a), the remaining equity interest of 25.27% in New Material Company held by the Group was recognised as interests in associates.
- (iii) The equity interest of 45.21% of entity was held by New Material Company. Upon the completion of the equity transaction agreement of New Material Company disclosed in Note 17(a), the entity ceased to be an associate of the Group. The carrying amount of this entity was fully impaired as at 31 December 2022.
- (iv) Upon the amendment of the articles of the entity on 4 July 2023, each of the shareholders of the entity has the right to appoint equal numbers of directors who represent in the board of directors' meeting of the entity. The 36.56% of equity interest of the entity held by the Group was transferred from interest in associates to interests in joint ventures (Note 11).

The aggregate financial information in respect of the Group's associates is set out below since no single associate is individually material.

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
The Group's share of profits and other comprehensive income	<u>2,260</u>	<u>2,922</u>
Aggregate carrying amount of the Group's interests in associates	<u>126,162</u>	<u>34,423</u>

13. TRADE RECEIVABLES

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

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

An ageing analysis of trade receivables at the end of the reporting year, based on the invoice date and net of impairment of trade receivables of the Group, is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within one year	47,122	284,434
Over one year but within two years	1,265	150
Over two years but within three years	<u>8,126</u>	<u>—</u>
	<u>56,513</u>	<u>284,584</u>

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Not past due	47,122	284,434
Past due within one year	1,265	150
Past due within two years	<u>8,126</u>	<u>—</u>
	<u>56,513</u>	<u>284,584</u>

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

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

The expected credit losses (“ECLs”) are assessed collectively for receivables that were not credit-impaired and individually for credit-impaired trade receivables with an aggregate carrying amount of RMB977,000 (2022: RMBNil).

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Balance at beginning of the year	—	—
Provision of impairment loss	<u>977</u>	<u>—</u>
Balance at end of the year	<u><u>977</u></u>	<u><u>—</u></u>

As at 31 December 2023, the amount due from the ultimate holding company, its subsidiaries and associates (other than the ultimate holding company collectively referred to as the “CNOOC group companies”), ultimate holding company, associates, joint venture and the Company’s subsidiaries’ non-controlling shareholders and the non-controlling shareholders’ subsidiaries (the “Other Related Parties”) included in the above balances, which are unsecured, non-interest-bearing and repayable on similar credit terms to those offered to the major customers of the Group, can be analysis as follow:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
CNOOC group companies	29,225	42,130
Ultimate holding company	8,568	—
Associates	11,456	1,089
Joint venture	840	344
Other Related Parties	<u>—</u>	<u>1,200</u>
	<u><u>50,089</u></u>	<u><u>44,763</u></u>

14. PROPOSED DIVIDENDS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Proposed dividends – RMB0.207 (2022: RMB0.178) per ordinary share	<u><u>954,270</u></u>	<u><u>820,580</u></u>

The proposed final dividend for the year ended 31 December 2022 was approved at the annual general meeting on 25 May 2023. Proposed final dividend for the year ended 31 December 2023 is subject to the approval of the Company’s shareholders at the forthcoming 2023 annual general meeting.

Upon listing of the Company’s shares on the Stock Exchange, the Company may not distribute dividends exceeding the lower of the profit after tax as determined under Chinese Accounting Standards for Business Enterprises (“CAS”) and IFRS Accounting Standards.

Pursuant to the State Administration of Taxation Circular Guoshuihan [2008] No. 897, the Company is required to withhold a 10% enterprise income tax when it distributes dividends to its non-resident enterprise shareholders out of profit earned in 2008 and beyond. In respect of all shareholders whose names appear on the Company's register of members who are not individuals, which are considered as non-resident enterprise shareholders, the Company will distribute the dividend after deducting enterprise income tax of 10%.

15. TRADE PAYABLES

The trade payables are unsecured, non-interest-bearing and are normally settled in 30 to 180 days. An ageing analysis of trade payables of the Group, based on invoice date, is as follows:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	1,138,388	1,586,013
Transfer to a disposal group classified as held for sale (Note 17(a)(ii))	—	(239,530)
	<u>1,138,388</u>	<u>1,346,483</u>
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	1,096,734	1,283,080
Over one year but within two years	35,508	61,585
Over two years but within three years	5,367	415
Over three years	779	1,403
	<u>1,138,388</u>	<u>1,346,483</u>

16. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(i) General information of subsidiaries

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below:

Name of subsidiaries	Place and date of incorporation and operation	Registered capital '000		Percentage of equity interest attributable to the Company %	Principal activities
海洋石油富島有限公司 (transliterated as CNOOC Fudao Limited)	PRC 31 December 2001	RMB477,400	Direct Indirect	100.00 –	Manufacture and sale of fertilisers
海南中海石油運輸服務有限公司 (transliterated as Hainan CNOOC Transportation Co., Ltd.)	PRC 22 October 2001	RMB6,250	Direct Indirect	– 73.11	Provision of transportation services
海南八所港務有限責任公司 (transliterated as Hainan Basuo Port Limited) (“Hainan Basuo Port”)	PRC 25 April 2005	RMB514,034	Direct Indirect	73.11 –	Port operation
中海石油建滔化工有限公司 (transliterated as CNOOC Kingboard Chemical Limited) (“CNOOC Kingboard”)	PRC 31 October 2003	RMB500,000	Direct Indirect	60.00 –	Manufacture and sale of methanol
海油富島(上海)化學有限公司 (transliterated as CNOOC Fudao (Shanghai) Chemical Limited)	PRC 7 January 2002	RMB27,000	Direct Indirect	100.00 –	Trading of fertilisers
八所中理外輪理貨有限公司 (transliterated as China Basuo Ocean Shipping Tally Co., Ltd.)	PRC 9 May 2008	RMB300	Direct Indirect	– 61.41	Provision of overseas shipping services

Name of subsidiaries	Place and date of incorporation and operation	Registered capital '000		Percentage of equity interest attributable to the Company %	Principal activities
湖北大峪口化工有限責任公司 (transliterated as Hubei Dayukou Chemical Limited) (“Hubei Dayukou”)	PRC 12 August 2005	RMB1,103,127	Direct Indirect	79.98 –	Phosphate mining and processing, manufacture and sale of MAP and DAP fertilisers
中海石油華鶴煤化有限公司 (transliterated as CNOOC Huahe Coal Chemical Limited)	PRC 26 May 2006	RMB1,035,600	Direct Indirect	100.00 –	Manufacture and sale of fertilisers
黑龍江瑞鶴礦業有限公司 (transliterated as Heilongjiang Ruihe Mining Co., Ltd.)	PRC 18 August 2022	RMB1,000	Direct Indirect	– 100.00	Trading of coal and coal products, coal mining
中海油(海南)富島化工有限公司 (transliterated as CNOOC (Hainan) Fudao Chemical Limited) (“Fudao Chemical”) (Note i)	PRC 19 October 2020	RMB720,000	Direct Indirect	– 51.00	Manufacture and sale of acrylonitrile and methyl methacrylate
China BlueChemical (Hong Kong) Limited (中海化學(香港)有限公司)	Hong Kong 14 November 2013	HKD100	Direct Indirect	100.00 –	Trading of fertilisers

Note:

- (i) On 9 December 2022, Fudao Chemical entered into the capital increase agreement, pursuant to which, the registered capital of Fudao Chemical is increased from RMB300,000,000 to RMB720,000,000 in proportion to the existing shareholders’ respective shareholding in Fudao Chemical. The shareholding in Fudao Chemical held by the existing shareholders remains unchanged upon the completion of the capital increase. The capital increase agreement was completed on 28 February 2023.

(ii) **Details of non-wholly owned subsidiaries that have material non-controlling interests**

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiaries	Proportion of ownership interest and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
	2023	2022	2023	2022	2023	2022
			RMB'000	RMB'000	RMB'000	RMB'000
CNOOC Kingboard	40.00%	40.00%	84,848	159,970	403,387	475,271
Hainan Basuo Port	26.89%	26.89%	2,039	1,413	177,226	176,458
Hubei Dayukou	20.02%	20.02%	12,431	8,786	284,680	272,249
Fudao Chemical	49.00%	49.00%	(101,965)	323	251,179	147,344

17. DISPOSAL OF SUBSIDIARIES

(a) **Partial disposal of PetroChina (Inner Mongolia) New Material Company Limited (“New Material Company”)**

The Group entered into an equity transaction agreement dated on 18 December 2022 with 中國石油天然氣股份有限公司 (transliterated as PetroChina Company Limited) (the “Purchaser”) to partially dispose of the Group’s 67% of equity interest in a subsidiary, New Material Company (formerly known as CNOOC Tianye Chemical Limited), which is under urea and methanol segments, at a net consideration of RMB154,082,000.

As at 31 December 2022, assets and liabilities of New Material Company, were classified as “A disposal group classified as held for sale” and “liabilities associated with a disposal group classified as held for sale” respectively. The Group was in view of that the equity transaction agreement had not been completed and they would provide necessary assistance and cooperation on procedures including the registration for the change in equity interest and issuance of new business licenses so as to complete the disposal.

The equity transaction was completed on 27 April 2023. Upon the completion of the equity transaction, the Group’s equity interest in New Material Company decreased from 92.27% to 25.27% and the directors of the Group determined that the Group had lost its practical ability to unilaterally direct the relevant activities of New Material Company. Accordingly, with effect from the date of completion of the equity transaction, the financial statements of New Material Company ceased to be consolidated in the consolidated financial statements of the Group and the remaining equity interests of 25.27% in New Material Company held by the Group are recognised as interests in associates (Note 12). Gain on disposal of a subsidiary of RMB852,397,000 was recognised for the year ended 31 December 2023.

(i) *Partial disposal of New Material Company*

The net liabilities of New Material Company at the date of disposal were as follows:

	2023 <i>RMB'000</i>
Net liabilities disposed of:	
Property, plant and equipment	268,250
Prepaid lease payments	158,357
Inventories	27,469
Prepayments, deposits and other receivables	28,025
Cash and cash equivalents	13,086
Interest-bearing other borrowings	(761,105)
Trade payables	(244,306)
Contract liabilities	(33,082)
Other payables and accruals	(59,515)
Lease liabilities	(20,355)
Income tax payable	(4,429)
Deferred revenue	(5,429)
Other long-term liabilities	(2,613)
Deferred tax liabilities	(29,308)
	<hr/>
	(664,955)
Non-controlling interests	46,952
Special reserve reclassified to profit or loss upon partial disposal	(2,151)
Deemed interest in an associate	(78,161)
Net consideration received	(154,082)
	<hr/>
Gain on disposal of a subsidiary	(852,397)
	<hr/> <hr/>
Satisfied by:	
Cash consideration received during the year	154,082
Cash and cash equivalents disposal of	(13,086)
	<hr/>
Net cash inflow arising on partial disposal	140,996
	<hr/> <hr/>

(ii) *A disposal group classified as held for sale*

As at 31 December 2022, the following assets and liabilities relating to the disposal group, New Material Company, were reclassified as held for sale in the consolidated statement of financial position.

	2022 RMB'000
Assets classified as held for sale:	
Cash and cash equivalents	6
Prepayments, deposits and other receivables	8,908
Inventories	24,741
Property, plant and equipment	366,461
Prepaid lease payments	158,103
Intangible assets	732
	<hr/>
	558,951
	<hr/> <hr/>
Liabilities associated with a disposal group classified as held for sale:	
Trade payables	239,530
Contract liabilities	2,792
Other payables and accruals	32,751
Income tax payable	395
Lease liabilities	20,675
Deferred tax liabilities	29,308
Deferred revenue	5,572
Other long-term liabilities	2,639
	<hr/>
	333,662
	<hr/> <hr/>

New Material Company incurred net loss of RMB182,152,000 during the year ended 31 December 2022. The disposal of New Material Company did not constitute a discontinued operation as it does not represent a major line of business.

(b) Deemed disposal of Guangxi Fudao Agricultural Means of Production Limited (“Guangxi Fudao”)

On 27 December 2023, CNOOC Fudao (Shanghai) Chemical Limited (“Shanghai Fudao”), a subsidiary of the Group and one of the shareholders of Guangxi Fudao, and 惠多利農資有限公司 (transliterated as Huiduoli AMP Co., Ltd.) (“Huiduoli AMP”), the other shareholder of Guangxi Fudao, entered into a capital increase agreement.

Pursuant to the capital increase agreement, (i) Huiduoli AMP agreed to subscribe for additional registered capital in a consideration of RMB14,723,000, of which RMB10,000,000 was accounted for as the registered capital of Guangxi Fudao and the remaining RMB4,723,000 was accounted for as the capital reserve of Guangxi Fudao, (ii) Shanghai Fudao agreed to not exercise its preemptive right in relation to the capital increase, and (iii) upon completion of the capital increase, the registered capital of Guangxi Fudao was increased from RMB20,000,000 to RMB30,000,000, and Shanghai Fudao's equity interest in Guangxi Fudao is diluted from 51% to 34% while Huiduoli AMP's equity interest in Guangxi Fudao is increased from 49% to 66%. The directors of the Group determined that the Group had lost its practical ability to unilaterally direct the relevant activities of Guangxi Fudao.

The capital increase of Guangxi Fudao was completed on 27 December 2023. Accordingly, with effect from the date of completion of the capital increase, the financial statements of Guangxi Fudao ceased to be consolidated in the consolidated financial statements of the Group and the remaining equity interests of 34% in Guangxi Fudao held by the Group are recognised as interests in associates (Note 12). Gain on disposal of a subsidiary of RMB5,832,000 was recognised for the year ended 31 December 2023.

(i) *Deemed disposal of Guangxi Fudao*

The net assets of Guangxi Fudao at the date of disposal were as follows:

	2023
	RMB'000
Net assets disposed of:	
Property, plant and equipment	8,933
Prepaid lease payments	7,240
Intangible assets	17
Inventories	139,873
Deferred tax assets	22
Prepayments, deposits and other receivables	36,807
Cash and cash equivalents	10,084
Interest-bearing other borrowings	(100,039)
Trade payables	(1,132)
Contract liabilities	(75,340)
Other payables and accruals	(7,328)
Lease liabilities	(958)
Income tax payable	(722)
	<u>17,457</u>
Non-controlling interests	(8,271)
Deemed interest in an associate	(15,018)
	<u>(5,832)</u>
Gain on disposal of a subsidiary	<u>(5,832)</u>
Satisfied by:	
Net cash outflow arising on deemed disposal	<u>(10,084)</u>

(III) MANAGEMENT DISCUSSION AND ANALYSIS

1. Sector Review

Chemical fertiliser industry

In 2023, with the continuous interest rate hike of US dollars, the international bulk commodity prices suffered a plunge after soaring high, coupled with frequent geopolitical conflicts, there was a general phenomenon of increasing stockpiling of grain across the countries. It has always been emphasised by the PRC government that safeguarding grain safety is a critical national strategy. Therefore, it is imperative to stand firm on the commitment to grain safety by maintaining stable grain sown area so that Chinese people can have grain mainly produced in China. According to the data from the National Bureau of Statistics of China, in 2023, China remained as the largest grain producer in the world, with national total grain output of 695.41 million tonnes, up by 1.3% over 2022.

In 2023, the world's population has increased to 8.032 billion, and the rigid demand for grain has driven the sustainable growth of fertiliser demand and the prices are subject to seasonal fluctuations. In the first half of the year, the prices of fertilisers declined from a high level as a result of lower bulk materials prices and the weakened support of production cost of fertilisers, while the prices of fertilisers rebounded in the second half of the year.

(1) Urea

The domestic production volume of urea amounted to approximately 62.39 million tonnes (in kind) in 2023, representing a year-on-year increase of 9.3% over 2022. Meanwhile, the statistics from General Administration of Customs of the PRC ("GACC") showed that China exported a total of approximately 4.25 million tonnes of urea in 2023, representing a year-on-year increase of 50.2% over 2022.

With the enhancement of the financial attributes of urea futures, the fluctuation frequency of urea prices has significantly accelerated, and the overall market trend of urea in China showed a trend of suppression followed by a rise in 2023. Prior to June, the trend of oversupply in the domestic urea market was gradually emerging, with prices mainly fluctuating downward. After June, driven by positive factors such as the favorable international urea prices and the increase in exports, the domestic urea market began to fluctuate upwards. In the fourth quarter, the domestic market repeatedly fluctuated downwards. Until the end of the year, with the gradual weakening of the influence factors such as exports and coal, domestic urea prices gradually returned to the supply and demand side. The price of urea fluctuated between RMB2,000 and RMB2,700 per tonne in 2023, and the average price of small and medium-sized particles urea in China was approximately RMB2,467 per tonne in 2023, representing a decrease of RMB238 per tonne as compared with the average price of RMB2,705 per tonne in 2022.

(2) *Phosphate and compound fertilisers*

The domestic annual output of DAP was approximately 13.94 million tonnes (in kind) in 2023, representing a year-on-year increase of approximately 12.69% over 2022. Meanwhile, the statistics from GACC showed that the export volume of DAP of China was approximately 5.04 million tonnes in 2023, representing an increase of 40.7% as compared to the same period of last year.

In 2023, the market of DAP showed a “V” type fluctuating trend. From the beginning of January to the end of March, the price of DAP was basically stable and the overall changes were relatively small. The prices began to show a downward trend in early April. Until the beginning of August, the prices have fallen to a low level, with a decrease of RMB600 per tonne during the period. The prices bottomed out with the domestic stockpiling for autumn sowing and the rebound of international market prices. The price continued to rise slightly in September, until the end of the year when the ex-factory price in Hubei rose to approximately RMB3,750 per tonne, and the overall prices in 2023 decreased by 1.3% compared with the same period of last year.

In 2023, the prices gradually returned to normal after the sharp fluctuation in the compound fertiliser market in 2022, the prices for the whole year showed a “V” curve, and the cost increasingly became the core competitiveness of production enterprises. The average price of compound fertilisers (45% nutrient content) in 2023 was RMB3,041 per tonne, representing a decrease of RMB669 per tonne as compared with the average price of RMB3,710 per tonne in 2022.

Chemical industry

In 2023, against the macro backdrop of weak economic recovery, the chemical industry continued to be sluggish. Affected by the shrinking chemical demand of the world’s major economies, the decline in overseas exports, the concentrated release of production capacity and the fluctuations in the downstream markets, most chemical industries showed an obvious state of bottoming out, and the profitability was generally under high pressure, resulting in the weak operation of the overall market.

(1) *Methanol*

The cumulative domestic production volume of methanol was approximately 72.64 million tonnes in 2023, representing a year-on-year increase of approximately 4%. China's import volume of methanol hit a record high in 2023. The annual import volume for 2023 increased by 2,360 thousand tonnes or 19.3% compared with last year to approximately 14.55 million tonnes.

In 2023, the market prices of methanol generally showed a wide volatile trend, mostly lower than the level of the same period of last year. In the first quarter, affected by the stockpiling during the Spring Festival and the tight transportation and the positive macro expectations, and the trading centre of the methanol market fluctuated higher. In the second quarter, the supply remained loose, the structure of supply and demand was unbalanced, the methanol market continued to be weak, and the market price declined unilaterally. In the third quarter, the relationship between supply and demand in the market gradually improved and the price of methanol increased instead of decreasing during the low season. In the fourth quarter, the overall macro environment was weak, the recovery of demand was slow, the conditions of the traditional peak season did not meet expectations for an increase, and the market trend was weak. The market prices in South China throughout the year were in the range from RMB2,020 to RMB2,750 per tonne.

(2) *Acrylonitrile*

The cumulative domestic production volume of acrylonitrile was approximately 3.23 million tonnes in 2023, representing a year-on-year increase of approximately 7.7%. China's import volume of acrylonitrile increased in 2023. The annual import volume for 2023 increased by 104.2 thousand tonnes or 88% compared with last year to approximately 195.7 thousand tonnes.

In 2023, the average annual price of acrylonitrile in China was RMB9,508 per tonne, representing a year-on-year decrease of 10.6%. The prices throughout the year showed a trend of high at the beginning and end of the year and low in the middle of the year. In the first quarter, the supply side fluctuated, the demand recovered compared to the end of last year, and the price of acrylonitrile was relatively high; in the second quarter, due to the recovery of supply and the reduction of raw material costs, the price of acrylonitrile fell sharply; in the third quarter, raw material prices recovered and acrylonitrile manufacturers limited production, pushing prices higher; in the fourth quarter, the price of acrylonitrile fluctuated slightly. The annual market prices of acrylonitrile were in the range from RMB7,500 to RMB11,300 per tonne.

2. Business Review

Production Management

In 2023, the Company continued to strengthen its management and control over production operation, and there were no production safety accidents throughout the year. The number of environmental pollution accidents was “zero” for two consecutive years, recording the best performance since the establishment of the Company. The Hainan Phase I methanol plant once again recorded a long-term operation period of over 500 days, and the continuous operation days of the urea plant of CNOOC Huahe and the urea production volume both reached new highs. As a result, the Company’s annual urea production volume increased significantly year-on-year. In 2023, the Company produced 2,006 thousand tonnes of urea, 814 thousand tonnes of phosphate and compound fertilisers, 1,462 thousand tonnes of methanol and 165 thousand tonnes of acrylonitrile and relating products.

Details of production of the Group’s plants in 2023 are set out as follows:

	For the year ended 31 December			
	2023		2022	
	Production	Utilisation	Production	Utilisation
	(tonnes)	rate	(tonnes)	rate
		(%)		(%)
Chemical fertilisers				
Urea				
Fudao Phase I	505,957	97.3	579,906	111.5
Fudao Phase II	823,051	102.9	778,602	97.3
CNOOC Huahe	676,925	130.2	603,583	116.1
Group total	<u>2,005,933</u>	<u>109.0</u>	<u>1,962,091</u>	<u>106.6</u>
Phosphate Fertilisers and Compound Fertilisers				
DYK MAP	46,530	31.0	78,822	52.5
DYK DAP Phase I (Note)	363,368	103.8	318,296	90.9
DYK DAP Phase II	404,369	80.9	535,875	107.2
Group total	<u>814,267</u>	<u>81.4</u>	<u>932,993</u>	<u>93.3</u>

	For the year ended 31 December			
	2023		2022	
	Production (tonnes)	Utilisation rate (%)	Production (tonnes)	Utilisation rate (%)
Chemical Products				
Methanol				
Hainan Phase I	636,282	106.0	656,906	109.5
Hainan Phase II	825,804	103.2	863,135	107.9
Group total	<u>1,462,086</u>	<u>104.4</u>	<u>1,520,041</u>	<u>108.6</u>
Acrylonitrile and relating products				
Acrylonitrile	129,400	64.7	–	–
Acetonitrile	4,175	69.6	–	–
MMA	31,208	44.6	–	–
Group total	<u>164,783</u>	<u>59.7</u>	<u>–</u>	<u>–</u>

Note: In 2023, DYK DAP Phase I Plant produced 8,050 tonnes of DAP and 355,318 tonnes of compound fertilisers, amounting to 363,368 tonnes in total. In 2022, DYK DAP Phase I Plant produced 8,465 tonnes of DAP and 309,831 tonnes of compound fertilisers, amounting to 318,296 tonnes in total.

Sales Management

In 2023, the Company continued to strengthen marketing, promote refined pricing management, improve the discourse rights of channels, and increase sales in high-priced range; the Company promoted its brand building and actively established itself as a “Plant Nutrition Solution Provider”; the Company increased e-commerce direct sales efforts, and the direct sales volume of e-commerce to farmers reached 84.6 thousand tonnes, representing a year-on-year increase of 110%. In 2023, the Company sold 1,992 thousand tonnes of urea, 1,444 thousand tonnes of methanol, 473 thousand tonnes of phosphate fertilisers, 353 thousand tonnes of compound fertilisers and 159 thousand tonnes of acrylonitrile and relating products. During the year, the Company exported a total of 153 thousand tonnes of urea and 130 thousand tonnes of DAP, and the export volume of fertilisers increased by 80% year-on-year. The export volume of methanol was 25 thousand tonnes.

Urea

The following table sets out the Group's urea sales volumes by final sales destinations of products during the preceding two financial years:

Sales region	For the year ended 31 December			
	2023		2022	
	Volume (tonnes)	Percentage (%)	Volume (tonnes)	Percentage (%)
North-eastern China	749,628	37.6	694,591	35.5
Northern China	125,350	6.3	106,463	5.4
Eastern China	143,130	7.2	93,500	4.8
South-eastern China	81,129	4.1	201,289	10.3
Southern China	663,466	33.3	690,372	35.2
Hainan	76,366	3.8	81,809	4.2
International	152,638	7.7	90,778	4.6
Total	<u>1,991,707</u>	<u>100.0</u>	<u>1,958,802</u>	<u>100.0</u>

Phosphate Fertilisers and Compound Fertilisers

The following table sets out the Group's phosphate fertiliser and compound fertiliser sales volumes by final sales destinations of products during the preceding two financial years:

Sales region	For the year ended 31 December			
	2023		2022	
	Volume (tonnes)	Percentage (%)	Volume (tonnes)	Percentage (%)
North-eastern China	178,806	21.6	222,630	24.1
Northern China	246,080	29.8	298,913	32.4
Eastern China	76,845	9.3	39,276	4.3
South-eastern China	135,134	16.3	231,247	25.0
Southern China	60,174	7.3	65,467	7.1
International	129,656	15.7	65,810	7.1
Total	<u>826,695</u>	<u>100.0</u>	<u>923,343</u>	<u>100.0</u>

Methanol

The following table sets out the Group's methanol sales volumes by final sales destinations of products during the preceding two financial years:

Sales region	For the year ended 31 December			
	2023		2022	
	Volume (tonnes)	Percentage (%)	Volume (tonnes)	Percentage (%)
Eastern China	–	–	217,402	14.4
South-eastern China	193,743	13.4	106,882	7.1
Southern China	1,085,032	75.1	1,070,858	71.1
Hainan	139,401	9.7	111,133	7.4
International	25,425	1.8	–	–
Total	<u>1,443,601</u>	<u>100.0</u>	<u>1,506,275</u>	<u>100.0</u>

Acrylonitrile and relating products

The following table sets out the Group's acrylonitrile and relating products sales volumes by final sales destinations of products during the preceding two financial years:

Sales region	For the year ended 31 December			
	2023		2022	
	Volume (tonnes)	Percentage (%)	Volume (tonnes)	Percentage (%)
Eastern China	17,427	10.9	–	–
South-eastern China	94,681	59.4	–	–
Guangdong	30,201	18.9	–	–
Hainan	5,947	3.7	–	–
Others	11,239	7.1	–	–
Total	<u>159,495</u>	<u>100.0</u>	<u>–</u>	<u>–</u>

BB Fertilisers

In 2023, the Group produced a total of 30,338 tonnes of BB fertilisers and achieved a sales volume of 29,282 tonnes.

Sea-land logistics services

In 2023, Basuo Port in Hainan completed a volume of throughput of 12.18 million tonnes.

Progress of Key Projects

The acrylonitrile project was successfully completed and put into production. The trial operation completed the performance evaluation, the digital delivery of the project was successfully realised, and the devices have been in operation continuously for more than 300 days.

3. Financial Review

Revenue

During the reporting period, the Group's revenue was RMB12,989.8 million, representing a decrease of RMB1,289.3 million, or 9.0%, from that of RMB14,279.1 million in the same period of 2022. This was primarily attributable to market fluctuations, and the year-on-year decrease in the selling prices of urea and phosphate, compound fertilisers and methanol of the Group.

During the reporting period, the Group realised an external revenue from urea of RMB4,676.9 million, representing a decrease of RMB291.7 million, or 5.9%, from that of RMB4,968.6 million in the same period of 2022. This was primarily attributable to (1) a decrease of RMB188.8 per tonne in the selling price of urea, which resulted in a decrease in revenue of RMB369.8 million; and (2) an increase of 33,207 tonnes in the sales volume of urea, which resulted in an increase in revenue of RMB78.0 million that partially offset the above decrease.

During the reporting period, the Group realised an external revenue from phosphate and compound fertilisers of RMB2,707.0 million, representing a decrease of RMB560.9 million, or 17.2%, from that of RMB3,267.9 million in the same period of 2022. This was primarily attributable to (1) a decrease of RMB264.5 per tonne in the selling price of phosphate and compound fertilisers, which resulted in a decrease in revenue of RMB245.5 million; and (2) a decrease of 96,304 tonnes in the sales volume of phosphate and compound fertilisers, which resulted in a decrease in revenue of RMB315.4 million that collectively affect the above decrease.

During the reporting period, the Group realised an external revenue from methanol of RMB3,033.4 million, representing a decrease of RMB477.9 million, or 13.6%, from that of RMB3,511.3 million in the same period of 2022. This was primarily attributable to (1) a decrease of RMB229.7 per tonne in the selling price of methanol, which resulted in a decrease in revenue of RMB346.4 million; and (2) a decrease of 62,398 tonnes in the sales volume of methanol, which resulted in a decrease in revenue of RMB131.4 million that collectively affect the above decrease.

During the reporting period, the Group realised an external revenue from other segments (primarily comprising port operations and provision of transportation services; trading in fertilisers and chemicals; and production and sales of acrylonitrile, POM, BB fertilisers and liquid ammonia) of RMB2,572.6 million, representing an increase of RMB41.3 million, or 1.6%, from that of RMB2,531.3 million in the same period of 2022. This was primarily attributable to (1) the increase in revenue of acrylonitrile production by RMB1,303.2 million; (2) the decrease in trading volume of the marketing company and Guangxi Fudao, which resulted in a decrease in revenue of RMB1,106.4 million from the trading business this year as compared to last year; (3) an increase of RMB4.9 million in the revenue from BB fertilisers which was mainly caused by the combined effect of higher sales volume and lower selling prices; (4) an increase of RMB4.0 million in revenue due to the increase of throughput of Basuo Port; and (5) a decrease of RMB123.9 million in the revenue which was mainly caused by the combined effect of lower sales volume and lower selling price of POM; and (6) a decrease of RMB40.5 million in other revenue.

Cost of sales

During the reporting period, the Group's cost of sales was RMB10,928.8 million, representing a decrease of RMB813.6 million, or 6.9%, from that of RMB11,742.4 million in 2022.

During the reporting period, the Group's cost of sales for urea was RMB3,535.3 million, representing a decrease of RMB458.5 million, or 11.5%, from that of RMB3,993.8 million in 2022. This was primarily attributable to (1) factors including the decrease in raw material prices of CNOOC Huahe this year, which resulted in a year-on-year decrease of RMB517.5 million in the cost of sales; (2) a year-on-year increase of 33,207 tonnes in the sales volume this year, which resulted in an increase in cost of RMB58.9 million.

During the reporting period, the Group's cost of sales for phosphate and compound fertilisers was RMB2,492.2 million, representing a decrease of RMB576.1 million, or 18.8%, from that of RMB3,068.3 million in 2022. This was primarily attributable to (1) the decrease in prices of raw materials used for producing phosphate and compound fertilisers such as synthetic ammonia and phosphoric acid, which resulted in a year-on-year decrease of RMB285.7 million in the cost of sales; and (2) a decrease of 96,304 tonnes in the sales volume of phosphate and compound fertilisers, which resulted in a decrease of RMB290.3 million in the cost of sales.

During the reporting period, the Group's cost of sales for methanol was RMB2,287.2 million, representing a decrease of RMB33.2 million, or 1.4%, from that of RMB2,320.4 million in 2022. This was primarily attributable to (1) a decrease of 62,398 tonnes in the sales volume of methanol, which resulted in a decrease of RMB98.9 million in the cost of sales; and (2) the increase in unit cost during the year, which resulted in an increase of RMB65.8 million in the cost of sales.

During the reporting period, the Group's cost of sales for other segments was RMB2,614.0 million, representing an increase of RMB254.1 million, or 10.8%, from that of RMB2,359.9 million in 2022. This was primarily attributable to (1) the increase in the cost of acrylonitrile production by RMB1,389.1 million; (2) a decrease of RMB1,063.4 million in the cost of the trading business; and (3) the combined effect of the increase in raw material prices and the decrease in sales volume of POM during this year, which resulted in a decrease of RMB82.1 million in the cost of sales; (4) an increase of RMB11.1 million in the cost of sales due to the throughput of Basuo Port; and (5) a year-on-year decrease of RMB0.5 million in other cost of sales.

Gross profit

During the reporting period, the Group's gross profit was RMB2,061.1 million, representing a decrease of RMB475.5 million, or 18.7%, from that of RMB2,536.6 million in 2022. This was primarily attributable to (1) an increase of RMB15.3 million in gross profit of phosphate and compound fertilisers due to the decline in raw material prices of phosphate and compound fertilisers and the better cost control in 2023 which resulted in the decrease in costs; (2) an increase of RMB166.7 million in gross profit of urea due to the increase in the sales volume of urea and the good cost control of urea in Huahe in 2023; (3) a decrease of RMB444.7 million in gross profit of methanol due to the decrease in sales volume and the increase in the cost of methanol; (4) a year-on-year decrease of RMB41.8 million in gross profit of POM due to the decrease in the sales volume of POM; (5) a decrease of RMB43.0 million in the gross profit from the trading business; (6) a year-on-year decrease of RMB7.0 million in the gross profit due to the increase in costs of Basuo Port; (7) a decrease of RMB85.9 million in gross profit of acrylonitrile due to the loss of acrylonitrile production; and (8) a decrease of RMB49.1 million in gross profit of other businesses.

Other income

During the reporting period, the Group's other income was RMB89.7 million, representing an increase of RMB13.0 million, or 17.0%, from that of RMB76.7 million in 2022. This was primarily attributable to (1) an increase of RMB15.0 million in revenue from research fund; and (2) a decrease of RMB1.9 million in revenue from asset sales and sales of other materials.

Other (losses)/gains, Net

During the reporting period, the Group's other losses, net amounted to RMB0.7 million, compared to other gains, net of RMB0.4 million in 2022. This was primarily attributable to a year-on-year decrease of RMB1.1 million in the gain on disposal of fixed assets.

Selling and distribution expenses

During the reporting period, the Group's selling and distribution expenses amounted to RMB114.8 million, representing an increase of RMB1.0 million, or 0.9% from that of RMB113.8 million in 2022. This was primarily attributable to (1) an increase of RMB6.7 million in brand consultation fees, advertising and promotion fees and traveling expenses of Shanghai Fudao; and (2) a year-on-year decrease of RMB5.7 million in expenses of sales institutions of other bases.

Administrative expenses

During the reporting period, the Group's administrative expenses amounted to RMB602.7 million, representing an increase of RMB51.2 million, or 9.3%, from that of RMB551.5 million in 2022. This was primarily attributable to (1) an increase of RMB22.1 million in staff costs; (2) an increase of RMB8.0 million in travel, office and meeting expenses; and (3) a year-on-year increase of RMB21.2 million in safety, information, outsourcing, consultation, shared services.

Other expenses

During the reporting period, the Group's other expenses amounted to RMB27.0 million, representing a decrease of RMB20.4 million, or 43.0%, from that of RMB47.4 million in 2022. This was primarily attributable to (1) a decrease of RMB2.7 million in bank charges and interest expenses on discounted bills; (2) a decrease of RMB13.3 million in non-operating expenses; and (3) a decrease of RMB4.3 million in other unrecognized finance expenses and amortization expenses.

Finance income and finance costs

During the reporting period, the Group's finance income amounted to RMB357.9 million, representing an increase of RMB43.1 million, or 13.7%, from that of RMB314.8 million in 2022. This was primarily attributable to the increase of RMB1,361 million in the principal amount of large-denomination certificate of deposits and fixed deposits by the Group in 2023.

During the reporting period, the Group's finance costs were RMB34.2 million, representing an increase of RMB4.8 million, or 16.3%, from that of RMB29.4 million in 2022. This was primarily attributable to the increase in long-term borrowing costs, which resulted in an increase in finance costs.

Exchange (losses)/gains, net

During the reporting period, the Group recorded a net exchange loss of RMB9.6 million, as compared to a net exchange gain of RMB9.4 million in 2022, representing a decrease of RMB19.0 million. This was primarily attributable to the increase of exchange losses arising from the foreign currency receipts in Group's export business, which was due to the fluctuations in the US dollar exchange rate.

Impairment loss on assets

During the reporting period, the Group recognised an asset impairment of RMB6.2 million, representing a decrease of RMB17.3 million, or 73.6% from that of RMB23.5 million in 2022. This was primarily attributable to (1) a decrease of RMB4.3 million in bad debt provision for accounts receivables and other receivables; and (2) a year-on-year decrease of RMB13.0 million from the recognition of impairment on the investment properties of DYK.

Share of profit of associates and joint ventures

During the reporting period, the Group's share of profit of associates and joint ventures was RMB4.0 million, representing a decrease of RMB1.4 million as compared to the share of profit of associates and joint ventures of RMB5.4 million in 2022, which was primarily attributable to the year-on-year decrease in share of profit of associates and joint ventures for the year.

Income tax expenses

During the reporting period, the Group's income tax expenses were RMB289.9 million, representing a decrease of RMB182.1 million, or 38.6% from that of RMB472.0 million in 2022. This was primarily attributable to (1) a corresponding decrease of RMB82.2 million in income tax expenses for the current period as the Group recorded a year-on-year decrease in profit before tax for the year; and (2) the recognition of the deferred income tax on the long-term equity investment loss of CNOOC Tianye, the difference in taxes of Fudao and the impact of the write-down of inventories, resulting in a decrease of RMB99.4 million in deferred income tax.

Net profit for the year

During the reporting period, the Group's net profit was RMB2,374.1 million, representing an increase of RMB575.4 million as compared to that of RMB1,798.7 million in 2022.

Dividends

The board of directors of the Company (the "Board") recommended the payment of a final dividend for 2023 in the amount of RMB954.3 million, or RMB0.207 per share. The proposed final dividend for 2023 will be subject to the approval by the shareholders of the Company at the 2023 annual general meeting.

Capital expenditure

During the reporting period, the Group's total capital expenditure for the year amounted to RMB600.0 million, including RMB436.9 million for oil refining and chemicals projects, RMB26.6 million for environmental management, energy conservation and low carbon projects, RMB69.6 million for base construction (production accessories) projects, RMB16.7 million for mining projects, RMB10.5 million for information system construction projects, RMB35.4 million for technology research (capital expenditures) projects and RMB4.3 million for office equipment project.

Key projects mainly included: (1) The Basuo Port Petrochemical Terminal Project in the amount of RMB93.8 million, (2) the Acrylonitrile Project in the amount of RMB92.4 million, (3) the CNOOC Huahe Company Green Value Added Compound Fertilizer Project in the amount of RMB82.1 million, (4) the DYK Company 1.6 million tons/year Phosphate Mine Project in the amount of RMB62.5 million, and (5) the CNOOC Fudao Company Liquid Ammonia Receiving Station Project in the amount of RMB61.0 million.

Pledge of assets

During the reporting period, the Group did not pledge any property, plant and equipment as collateral to secure its interest-bearing bank borrowings.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit ranking 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 changes in 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 31 December 2023 (calculated as interest-bearing liabilities divided by the sum of total equity and interest-bearing liabilities) was 9.0%, representing a decrease of 1.5% compared to 10.5% as at 31 December 2022, which was primarily attributable to the decrease in its lease liabilities and interest-bearing bank borrowings by RMB342.4 million during the reporting period as compared to last year.

Cash and cash equivalents

At the beginning of 2023, the Group had cash and cash equivalents of RMB528.8 million. In 2023, the net cash inflow from operating activities was RMB1,543.6 million, the net cash outflow from investing activities was RMB691.1 million, the net cash outflow from financing activities was RMB784.1 million, and the increase from the effect of foreign exchange rate changes on cash and cash equivalents was RMB0.05 million. As at 31 December 2023, the Group's cash and cash equivalents were RMB597.3 million. The Group has sufficient working capital to meet the funding requirements for its day-to-day operation and future development.

Human resources and training

As at 31 December 2023, the Group had 3,746 employees. The aggregate of employees' wages and allowances for 2023 was approximately RMB857.9 million. The Group has a comprehensive remuneration system and a systematic welfare plan as well as an effective performance appraisal system in place to ensure that the remuneration policy of the Group effectively provides incentive to its staff. The Group determines staff remuneration according to their positions, performance and capability.

As at 31 December 2023, during the reporting period, the Company strictly implemented its annual training plan and recorded a total of 111,651 enrollments with a total of 604,221 training hours (including online training). The Company also organised 10,201 courses on safety training (on-site safety education and three-level safety training with contractors attended), internet safety training and external training with a total of 133,126 enrollments and 245,291 training hours.

Market risk

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

Commodity price risk

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

Interest rate risk

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

Foreign exchange risk

The Group's sales revenue is primarily denominated in RMB, secondarily in USD. The Group's purchases of equipment and materials are primarily denominated in RMB, secondarily in USD. During the reporting period, the RMB to USD exchange rate ranged between 6.7130 and 7.2258. Fluctuations in RMB to USD exchange rate have impacts on the Company's import of equipment and raw materials, export of products as well as the financing activities in USD.

As at 31 December 2023, the balance of the Group's deposits in USD was US\$0.73 million.

Inflation and currency risk

According to data of National Bureau of Statistics of China, the consumer price index of the PRC increased by 0.2% during the reporting period, which did not have any significant impact on the Group's operating results for the year.

Liquidity risk

The Group monitors its risk exposure to shortage of funds and also considers the liquidity of its financial investments and financial assets (such as trade receivables and other financial assets) and the projected cash flows from operating activities. The Group's objective is to maintain a balance between the continuity and flexibility of funding through bank loans, bonds and various financial instruments.

As at 31 December 2023, based on the carrying amount of borrowings as shown in the financial statements, the Group's borrowings in the amount of RMB651.7 million would become due within one year. The Group has sufficient capital and is not exposed to liquidity risk.

Subsequent events

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

Contingent liabilities

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

Material litigation and arbitration

During the reporting period, the Group had no material litigation or arbitration.

Material acquisitions and disposals of subsidiaries and associates of the Company

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

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

During the reporting period, the proposed disposal of approximately 79.98% equity interests held by the Company in Hubei Dayukou Chemical Limited (湖北大峪口化工有限責任公司) was terminated. Please refer to the announcement of the Company dated 29 June 2023 for details.

During the reporting period, the proposed acquisition of 100% equity interests in CNOOC Orient Petrochemical Co., Ltd. (中海石油東方石化有限責任公司) was terminated. Please refer to the announcement of the Company dated 28 March 2023 for details.

On 27 December 2023, (i) CNOOC Fudao (Shanghai) Chemical Limited (海油富島(上海)化學有限公司, “**Shanghai Fudao**”), a subsidiary of the Company and one of the shareholders of Guangxi Fudao Agricultural Means of Production Limited (廣西富島農業生產資料有限公司, “**Guangxi Fudao**”), and (ii) Huiduoli AMP Co., Ltd. (惠多利農資有限公司, “**Huiduoli AMP**”), the other shareholder of Guangxi Fudao, entered into the capital increase agreement (the “**Capital Increase Agreement**”). Pursuant to the Capital Increase Agreement, (i) Huiduoli AMP agreed to subscribe RMB10 million of the capital increase in Guangxi Fudao, (ii) Shanghai Fudao agreed to not exercise its pre-emptive right in relation to the Capital Increase (as defined below), and (iii) upon completion of the Capital Increase, the registered capital of Guangxi Fudao will increase from RMB20 million to RMB30 million (the “**Capital Increase**”), and Shanghai Fudao’s equity interest in Guangxi Fudao will be diluted from 51% to 34% while Huiduoli AMP’s equity interest in Guangxi Fudao will increase from 49% to 66%. After the completion of the Capital Increase, Guangxi Fudao was no longer a subsidiary of the Group and its financial results ceased to be consolidated into the financial statements of the Group. The Capital Increase was completed on 27 December 2023. Please refer to the announcements of the Company dated 5 January 2024 and 11 January 2024 for details.

4. Sector Outlook

In 2024, it is expected that there will be a certain growth in both supply and demand of domestic urea, and the growth in demand is expected to be attributable to the direct application to agriculture products and the procurement of raw materials for compound fertilisers factories. Due to the low seasons and peak seasons of urea demand, it is expected that there will be a phase difference between supply and demand. The new overseas production capacity of phosphate fertiliser is expected to replace part of the export demand, the overall supply and demand in the market are relatively loose, the cost of raw materials is expected to decline, and the price may return to a reasonable level and fluctuate with the season. The price of compound fertiliser is mainly affected by the cost of raw materials. With the gradual stability of the global supply chain and the adjustment of the raw material market, the cost of compound fertiliser may maintain relative balanced, the market is expected to face certain fluctuations, and the overall market is expected to show a neutral trend.

In 2024, the growth of domestic methanol production capacity slowed down, the release of international production capacity increased, and methanol import continued to operate at a high level; the demand for olefins from downstream industries was stable, traditional downstream industries will show a trend of growth, and the alternative application of energy will maintain growth. With the expected consolidation and gradual improvement of the domestic economy, the overall price centre of the methanol market is expected to be better than last year.

In 2024, the growth rate of domestic acrylonitrile production capacity slowed down and the release of the existing production capacity became the main force of supply chain; capacity expansion in the downstream industries such as ABS and carbon fiber are relatively concentrated, and the overall supply and demand structure will be adjusted and repaired. The sales in the markets will be further improved.

5. Our Key Tasks in 2024

1. To adhere to the bottom line of safety and environmental protection, enhance refined production management, and promote the full implementation of the new version of HSE management system;
2. To strive to promote the upgrading of products and services, and enhance itself as a “Plant Nutrition Solution Provider”;
3. To precise implementation of cost reduction measures and further improve processing cost per tonne;
4. To deepen the research on the resource utilisation of carbon-rich natural gas and CO₂, and master more powerful capabilities to eliminate carbon emission;
5. To promote industrial innovation with scientific and technological innovation, and master more core technologies of fertiliser and chemical through independent research and development and cooperation;
6. To focus on digital and intelligent transformation in all aspects, and
7. To strengthen the research of strategic emerging industries, optimize the Company’s planning and deployment, and promote the Company’s high-quality development.

(IV) SUPPLEMENTAL INFORMATION

Audit Committee

The Audit Committee has reviewed, with the management, the accounting principles and standards adopted by the Group, and discussed the internal control and financial reporting matters. The annual results for the year ended 31 December 2023 have been audited by BDO Limited in accordance with Auditing Standard 700 (Engagement for the auditing of financial statements) issued by Hong Kong Institute of Certified Public Accountants. The Audit Committee has reviewed the financial report for the year ended 31 December 2023.

Compliance With Corporate Governance Code

During the reporting period, the Company had complied with all code provisions of Corporate Governance Code as set out in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), except the followings.

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

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

In accordance with F.2.2 of the Corporate Governance Code, the chairman of the Board is required to attend the annual general meeting. Mr. Hou Xiaofeng was unable to attend the 2022 annual general meeting, H shareholders' class meeting and domestic shareholders' class meeting of the Company held on 25 May 2023 due to other business arrangements. Mr Zhao Baoshun, a non-executive director at the time, presided over the 2022 annual general meeting, H shareholders' class meeting and domestic shareholders' class meeting of the Company. Mr. Zhao Baoshun, together with other members of the Board who attended the annual general meetings and class meetings, were of sufficient calibre to answer questions at the meetings and had answered questions at the meetings competently.

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 C3 of the Listing Rules. The Board confirms that, having made specific enquiries with all Directors and Supervisors by the Company, during the reporting period ended 31 December 2023, all members of the Board and all Supervisors have complied with the required standards as set out in the Model Code.

Closure of the Register of Members in Respect of the Annual General Meeting

The register of members of the Company will be closed from 28 April 2024 to 28 May 2024 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for attendance at the annual general meeting of the Company for 2023 (the "AGM"), all instruments of transfer, accompanied by the relevant H share certificates, must be lodged with the Hong Kong share registrar for H shares, Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4: 30 p.m. on 27 April 2024.

Proposed Final Dividends and Closure of the Register of Members

The Board has recommended the payment of final dividends of RMB0.207 (tax included) per share for the year ended 31 December 2023 to shareholders of the Company whose names appear on the register of members of the Company on the proposed record date, 11 June 2024. The proposed final dividends for 2023 will be subject to the approval of shareholders of the Company at the AGM to be held on 28 May 2024. For the holders of domestic shares, dividends will be paid in RMB. For the holders of H shares, dividends will be paid in Hong Kong dollars. The final dividends are expected to be paid to the shareholders of the Company on or around 30 June 2024.

The register of members of the Company will be closed from 6 June 2024 to 11 June 2024 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for the proposed final dividends, all instruments of transfer, accompanied by the relevant H share certificates, must be lodged with the Hong Kong share registrar for H shares, Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4: 30 p.m. on 5 June 2024.

Withholding of Enterprise Income Tax and Individual Income Tax in respect of Dividends Payment

Pursuant to the Enterprise Income Tax Law of the People’s Republic of China and its Implementation Regulations, which became effective on 1 January 2008, the Company shall withhold enterprise income tax at the rate of 10% when distributing dividends to non-resident enterprises whose names appeared on the register of members of H shares. Any H shares registered in the name of non-individual shareholders, including HKSCC Nominees Limited, its nominees or agents, other organisations and bodies, shall be deemed to be shares held by non-resident enterprise shareholders, and accordingly, dividend payable to them shall be subject to withholding of enterprise income tax. As the Company is a foreign investment enterprise, the Company is not required to withhold non-resident individual income tax for non– resident individual holders of H shares.

The Company shall not be responsible for any claims arising from the untimely or inaccurate determination of the capacity of the shareholders of the Company or any disputes in respect of the withholding mechanism.

Should there be any changes to the withholding for payment requirements applicable prior to the payment of the dividends, the Company will make an announcement in a timely manner on such changes.

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

During 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

Disclosure on the Website of the Stock Exchange

This results announcement is published on the HKExnews website (<http://www.hkexnews.hk>) and on the Company's website (<http://www.chinabluechem.com.cn/>). The 2023 Annual Report will be available on the HKExnews and the Company's website in due course.

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

Beijing, the People's Republic of China, 23 March 2024

As at the date of this announcement, the executive directors of the Company are Mr. Hou Xiaofeng and Mr. Li Ruiqing, the non-executive directors of the Company are Ms. Shao Lihua and Mr. Yang Dongzhao, and the independent non-executive directors of the Company are Mr. Yu Changchun, Mr. Lin Feng and Mr. Xie Dong.

* *For identification purpose only.*