中海石油化学股份有限公司
China BlueChemical Ltd.*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock code：03983)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

1. Revenue amounted to RMB11,260 million
2. Gross profit amounted to RMB2,758 million
3. Profit attributable to owners of the Company amounted to RMB1,379 million
4. Basic earnings per share amounted to RMB0.3
5. Proposed final dividends amounted to RMB0.15 per share

(I) AUDITED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Notes	**2018** **RMB'000**	2017 *RMB'000*
Revenue	4	**11,259,591**	9,799,678
Cost of sales		**(8,501,281)**	(8,114,588)
Gross profit		**2,758,310**	1,685,090
Other income	4	**131,386**	55,888
Other gains and losses, net	5	**303,266**	237,892
Selling and distribution costs		**(418,466)**	(385,743)
Administrative expenses		**(455,598)**	(452,993)
Other expenses		**(161,582)**	(13,462)
Finance income	6	**11,187**	10,680
Finance costs	7	**(104,635)**	(121,419)
Gain on loss of control of subsidiaries		**—**	307
Gain on disposal of a subsidiary		**62,879**	—
Impairment losses		**(879)**	(442,640)
Exchange gains/(losses), net		**13,296**	(48,233)
Share of losses of joint ventures		**(193)**	(36,833)
Share of profits of associates		**1,210**	1,535
Profit before income tax	8	**2,140,181**	490,069
Income tax expenses	9	**(611,891)**	(382,557)
		1,528,290	107,512
Profit attributable to:			
Owners of the Company	10	**1,378,890**	50,232
Non-controlling interests		**149,400**	57,280
		1,528,290	107,512
Earnings per share attributable to owners of the Company			
— Basic for the year *(RMB per share)*	10	**0.30**	0.01

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018	2017
	RMB'000	*RMB'000*
Profit for the year	**1,528,290**	107,512
Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax:		
Fair value gains on unlisted investments	**—**	236,888
Reclassification adjustment relating to disposal of unlisted investments upon maturity	**—**	(236,888)
	—	—
Exchange differences arising on translation of foreign operations	**946**	293
Share of other comprehensive income of joint ventures	**(2,002)**	—
Share of other comprehensive income of associates	**78**	—
Other comprehensive income for the year, net of tax	**(978)**	293
Total comprehensive income for the year	**1,527,312**	107,805
Total comprehensive income attributable to:		
Owners of the Company	**1,377,912**	50,525
Non-controlling interests	**149,400**	57,280
	1,527,312	107,805

Details of the proposed dividends for the year are disclosed in Note 13 to the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		**7,100,978**	7,661,025
Mining rights		**135,593**	137,743
Prepaid lease payments		**573,582**	589,032
Investment properties		**110,053**	122,273
Intangible assets		**33,282**	30,331
Investment in joint ventures	11	**227,281**	229,476
Investment in associates		**219,758**	218,470
Available-for-sale investment		**—**	600
Financial asset at fair value through other comprehensive income		**600**	—
Deferred tax assets		**806,692**	840,105
Other long-term prepayment		**—**	6,900
		9,207,819	9,835,955
CURRENT ASSETS			
Inventories		**1,286,322**	1,210,432
Trade receivables	12	**41,357**	267,428
Bills receivable		**113,949**	31,138
Contract assets		**16,116**	—
Prepayments, deposits and other receivables		**323,819**	321,710
VAT recoverable		**248,982**	286,001
Pledged bank deposits		**50,003**	6,942
Time deposits with original maturity over three months		**5,260,802**	287,505
Cash and cash equivalents		**3,400,039**	6,590,294
		10,741,389	9,001,450
Assets classified as held for sale		**—**	411,587
		10,741,389	9,413,037
TOTAL ASSETS		**19,949,208**	19,248,992
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Issued capital		**4,610,000**	4,610,000
Reserves		**8,909,182**	8,222,770
Proposed dividends	13	**691,500**	322,700
Equity attributable to owners of the Company		**14,210,682**	13,155,470
Non-controlling interests		**916,956**	1,092,459
TOTAL EQUITY		**15,127,638**	14,247,929

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2018

	Notes	**2018** **RMB'000**	2017 RMB'000
NON-CURRENT LIABILITIES			
Benefits liability		**52,037**	65,852
Interest-bearing bank borrowings		**685,000**	785,000
Deferred tax liabilities		**43,147**	47,079
Deferred revenue		**169,327**	175,210
Obligations under finance leases		**—**	1,336,118
Other long-term liabilities		**139,896**	114,057
		1,089,407	2,523,316
CURRENT LIABILITIES			
Interest-bearing bank borrowings		**100,000**	25,000
Trade payables	14	**708,390**	876,622
Contract liabilities		**557,099**	—
Bills payable	14	**—**	12,900
Other payables and accruals		**843,668**	1,369,394
Obligations under finance leases		**1,336,131**	60,000
Income tax payable		**186,875**	132,609
		3,732,163	2,476,525
Liabilities associated with assets classified as held for sale		**—**	1,222
		3,732,163	2,477,747
TOTAL LIABILITIES		**4,821,570**	5,001,063
TOTAL EQUITY AND LIABILITIES		**19,949,208**	19,248,992
NET CURRENT ASSETS		**7,009,226**	6,935,290
TOTAL ASSETS LESS CURRENT LIABILITIES		**16,217,045**	16,771,245
NET ASSETS		**15,127,638**	14,247,929

(II) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL INFORMATION

China BlueChemical Ltd. (the "Company") was established in the People's Republic of China (the "PRC") on 3 July 2000 as a limited liability company under the name of CNOOC Chemical Limited (中海石油化學有限公司). The registered office of the Company is located at No. 1 Zhu Jiang South Street, 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 HKD1.90 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 INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

2.1 Adoption of new/revised IFRSs — effective 1 January 2018

Annual Improvements to IFRSs 2014–2016 Cycle	Amendments to IFRS 1, First-time adoption of International Financial Reporting Standards
Annual Improvements to IFRSs 2014–2016 Cycle	Amendments to IAS 28, Investments in Associates and Joint Ventures
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
Amendments to IFRS 15	Revenue from Contracts with Customers (Clarifications to IFRS 15)
Amendments to IAS 40	Transfers of Investment Property
IFRIC 22	Foreign Currency Transactions and Advance Consideration

Annual Improvements to IFRSs 2014–2016 Cycle — Amendments to IFRS 1, First-time Adoption of International Financial Reporting Standards

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IFRS 1, First-time Adoption of International Financial Reporting Standards, removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

The adoption of these amendments has no impact on these financial statements as the periods to which the transition provision exemptions related have passed.

Annual Improvements to IFRSs 2014–2016 Cycle — Amendments to IAS 28, Investments in Associates and Joint Ventures

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IAS 28, Investments in Associates and Joint Ventures, clarifying that a Venture Capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

The adoption of these amendments has no impact on these financial statements as the Group is not a venture capital organisation.

Amendments to IFRS 2 — Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The adoption of these amendments has no impact on these financial statements as the Group does not have any cash-settled share-based payment transaction and has no share-based payment transaction with net settlement features for withholding tax.

IFRS 9 — Financial Instruments

(i) Classification and measurement of financial instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of IFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities designated at fair value through profit or loss ("FVTPL"), where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of IFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under IFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with IFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL. The classification of financial assets under IFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under IFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
FVOCI (debt instruments)	Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
FVOCI (equity instruments)	Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income is recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

The Group performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics. The majority of the Group's financial assets include:

- Unlisted equity investment previously classified as available-for-sale investment was reclassified to financial asset at FVOCI. These unlisted equity investment has no quoted price in an active market. The Group intends to hold these unlisted equity investment for long term strategic purposes. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established. The fair value of the unlisted equity investment is determined based on transaction price and factors or events that have occurred after acquisition date. Since there is no significant change in the performance and operation of the investee, the directors of the Company consider that the fair value of the unlisted equity investment is approximate to its carrying amount;

- bills receivable are held within a business model whose objective is achieved by both collecting cash flows and endorsing the bills receivable to suppliers or discounting to banks, and the contractual terms give rise to cash flows on specific dates that are solely payments of principal and interest on the principal outstanding. Accordingly, bills receivable will be subsequently measured at FVTOCI upon the application of IFRS 9, with the fair value gains or losses accumulated in reserve subsequently reclassified to profit or loss upon derecognition. However, the directors of the Company consider the impact on the amounts recognised in other comprehensive income is immaterial as the fair value of bills receivable is close to their carrying amounts given all bills receivable will mature within one year;

- The Group's wealth management products in licensed bank carried at fair value are held within the business model whose objective is not solely receiving payments of principal and interest on the principal outstanding. Accordingly, the Group has classified these instruments at FVTPL; and

- All other financial assets and financial liabilities continue to be measured on the same basis as are measured under IAS 39.

The following table summarizes the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Carrying amount as at 1 January 2018 under IAS 39	Carrying amount as at 1 January 2018 under IFRS 9
			RMB'000	*RMB'000*
Unlisted equity investment	Available-for -sale investment	FVTOCI	600	600
Trade receivables	Loans and receivables	Amortised cost	267,428	267,428
Bills receivable	Loans and receivables	FVTOCI	31,138	31,138
Deposits and other receivables	Loans and receivables	Amortised cost	128,447	128,447
Pledged bank deposits	Loans and receivables	Amortised cost	6,942	6,942
Time deposits	Loans and receivables	Amortised cost	287,505	287,505
Cash and cash equivalents	Loans and receivables	Amortised cost	6,590,294	6,590,294

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018:

	IAS 39 carrying amount 31 December 2017	Reclassification	IFRS 9 carrying amount 1 January 2018
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at FVTOCI			
Unlisted equity investment	—	600	600
Bills receivable	—	31,138	31,138
Available-for-sale investments — amortised cost			
Unlisted equity investment	600	(600)	—
Amortised cost			
Trade receivables*	267,428	—	267,428
Bills receivable	31,138	(31,138)	—
Deposits and other receivables	128,447	—	128,447
Pledged bank deposits	6,942	—	6,942
Time deposits	287,505	—	287,505
Cash and cash equivalents	6,590,294	—	6,590,294

* Trade receivables of RMB8,528,000 were reclassified to contract assets at 1 January 2018 as a result of the initial application of IFRS 15 (see below note 2.1 IFRS 15 Revenue from Contracts with Customers).

(ii) *Impairment of financial assets*

The adoption of IFRS 9 has changed the Group's impairment model by replacing the IAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". IFRS 9 requires the Group to recognised ECLs for trade receivables, financial assets at amortised costs, contract assets and debt investment at FVOCI earlier than IAS 39. Cash and cash equivalents are subject to ECLs model but the impairment is immaterial for the current period.

Under IFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and contract assets using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. The Group's debt investment at FVOCI are considered to have low credit risk since the issuers' credit rating are high.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criteria is more appropriate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt investment at FVOCI, the loss allowance is recognised in other comprehensive income, instead of reducing the carrying amount of the assets.

Impact of the ECLs model

(i) Impairment of trade receivables and contract assets

As mentioned above, the Group applies the simplified approach prescribed by IFRS 9 to measure ECLs which permits the use of the lifetime ECLs for all trade receivables and contract assets. To measure the ECLs, trade receivables and contract assets are grouped based on shared credit risk characteristics and the days past due. The contract assets have substantially the same risk as the trade receivables. The ECLs rate for trade receivables and contract assets that are categorised as not past due is assessed to be 0.1%, while the ECLs rate for past due within one year is assessed to be 0.5%. The ECLs rate is reviewed, and adjusted if appropriate, at the end of each reporting period. The ECLs rate remained the same during the year as the business and customer base of the Group remained stable and there were no significant fluctuations on the historical credit loss incurred. In addition, there is no significant change on the economic indicators based on the assessment of the forward-looking information. Based on evaluation on ECLs rate and the carrying amount of trade receivables and contract assets, the directors of the Company are of the opinion that the ECLs in respect of trading receivables and contract assets are considered as immaterial.

(ii) Impairment of deposits and other receivables

All the Group's deposits and other receivables are considered to have low credit risk and there has been no significant increase in credit risk since initial recognition, therefore the loss allowance was limited to 12 months ECLs. The identified impairment loss was immaterial.

(iii) Transition

The Group has applied the transitional provision in IFRS 9 such that IFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the statement of financial position on 1 January 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 but rather those of IAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of IFRS 9 (the "DIA"):

- The determination of the business model within which a financial asset is held;
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
- The designation of certain investments in equity investments not held for trading as at FVOCI.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations. IFRS 15 has established a five-steps model to account for revenue arising from contracts with customers.

Step 1:	Identify the contract(s) with a customer
Step 2:	Identify the performance obligations in the contract
Step 3:	Determine the transaction price
Step 4:	Allocate the transaction price to each performance obligation
Step 5:	Recognise revenue when each performance obligation is satisfied

Under IFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted IFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application (that is, 1 January 2018). As a result, the financial information presented for 2017 has not been restated.

The Group has changed the presentation of certain amounts in the consolidated statement of financial position to reflect the terminology of IFRS 15:

- Contract assets in relation to the Group's rights to consideration from customers for the provision of transportation services but not billed at the end of the reporting period were previously included in trade receivables; and
- Contract liabilities in relation to the Group's obligation to transfer goods or services to customers for which the Group has received consideration (or an amount of consideration is due) from the customer were previously presented as advances from customers included in other payable and accruals.

In summary, the following reclassifications were made to the amounts recognised in the opening consolidated statement of financial position on 1 January 2018:

	IAS 18 carrying amount 31 December 2017 *RMB'000*	Reclassification *RMB'000*	IFRS 15 carrying amount 1 January 2018 *RMB'000*
Current assets			
Trade receivables	267,428	(8,528)	258,900
Contract assets	—	8,528	8,528
Current liabilities			
Contract liabilities	—	585,038	585,038
Other payables and accruals	585,038	(585,038)	—

The amount by each consolidated financial statements line items affected in the current year by the initial application of IFRS 15 as compared to IAS 18 and IAS 11 that were previously in effect before the application of IFRS 15 is as follows:

	Amount Without the Adoption of IFRS 15 *RMB'000*	Effect of initial application of IFRS 15 *RMB'000*	Amount as reported *RMB'000*
Current assets			
Trade receivables	57,473	(16,116)	41,357
Contract assets	—	16,116	16,116
Current liabilities			
Contract liabilities	—	557,099	557,099
Other payables and accruals	1,400,767	(557,099)	843.668

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out below:

Note	Product/service	Nature of the goods or services, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 January 2018
(i)	Sale of urea, methanol, phosphorus fertilisers, which include MAP, DAP, and compound fertilisers	Customers obtain control of the goods when the goods are delivered to and have been accepted. Revenue is thus recognised at a point in time upon when the customers accepted the products. Sale of goods is normally settled on an advance receipt basis whereby the customers are required to pay in advance either by cash or by bank acceptance drafts.	IFRS 15 did not result in significant impact on the Group's accounting policies. Upon the adoption of IFRS 15, the Group has to make reclassification from other payables and accruals to contract liabilities since under IFRS 15, if the entity has received consideration from the customers, the entity has an obligation to transfer goods or services to the customers, an entity should recognise a contract liability.
(ii)	Provision of port operation transportation services	For provision of port operation, which including port loading and unloading services, and transportation services, the revenue is recognised over time based on the services provided as the customers simultaneously receives and consumes the benefits of the Group's performance. The Group considers the port operation and transportation services as a single performance obligation.	IFRS 15 did not result in significant impact on the Group's accounting policies. Upon the adoption of IFRS 15, the Group has to make reclassification from trade receivables to contract assets since under IFRS 15, if there is any satisfied performance obligation but where the entity does not have an unconditional right to consideration, an entity should recognise a contract asset.

Amendments IFRS 15 — Revenue from Contracts with Customers (Clarifications to IFRS 15)

The amendments to IFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted IFRS 15 and took up the clarifications in this, its first, year.

Amendments to IAS 40 — Transfers of Investment Property

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred.

The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

The adoption of these amendments has no impact on these financial statements.

IFRIC 22 — Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The adoption of these amendments has no impact on these financial statements as the Group has not paid or received advance consideration in a foreign currency.

2.2 New or revised IFRSs that have been issued but are not yet effective

The following new or revised IFRSs, potentially relevant to the Group's 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

IFRS 16	Leases[1]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to IFRSs 2015–2017 Cycle	Amendments to IFRS 3, Business Combinations[1]
Annual Improvements to IFRSs 2015–2017 Cycle	Amendments to IFRS 11, Joint Arrangements[1]
Annual Improvements to IFRSs 2015–2017 Cycle	Amendments to IAS 12, Income Taxes[1]
Annual Improvements to IFRSs 2015–2017 Cycle	Amendments to IAS 23, Borrowing Cost[1]
IFRS 17	Insurance Contracts[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IAS 1 and IAS 8	Definition of Material[2]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IFRS 3	Definition of a Business[5]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

[5] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

IFRS 16 — Leases

IFRS 16, which upon the effective date will supersede IAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB7,367,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of IFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained earnings without restating comparative information.

IFRIC 23 — Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of IAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to IFRS 9 — Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met — instead of at fair value through profit or loss.

Amendments to IAS 28 — Long-term Interests in Associates and Joint Ventures

The amendment clarifies that IFRS 9 applies to long-term interests ("LTI") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that IFRS 9 is applied to these LTI before the impairment losses guidance within IAS 28.

Annual Improvements to IFRSs 2015–2017 Cycle — Amendments to IFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

Annual Improvements to IFRSs 2015–2017 Cycle — Amendments to IAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to IFRSs 2015–2017 Cycle — Amendments to IAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

IFRS 17 — Insurance Contracts

IFRS 17 will replace IFRS 4 as a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

Amendments to IFRS 10 and IAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

Amendments to IAS 1 and HKAS 8 — Definition of Material

The amendments clarify the definition of material to make it easier for entities to make materiality judgements. The definition of material, an important accounting concept in IFRS Standards, helps entities decide whether information should be included in their consolidated financial statements.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and 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 (the "BB") fertiliser, polyformaldehyde ("POM") and woven plastic bags.

Segment performance is evaluated based on segment result and is measured consistently with profit/(loss) before income tax in the consolidated financial statements. However, the Group's financing (including finance costs and finance income), unallocated administrative expenses, exchange gains/(losses), bank charges, other income, other unallocated income, other expenses, share of results of associates and joint ventures, gain on disposal of subsidiaries, gain on disposal of unlisted investments 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 2018						
Segment revenue:						
Sales to external customers	**4,160,697**	**3,717,105**	**2,260,933**	**1,120,856**	**—**	**11,259,591**
Inter-segment sales	**—**	**—**	**—**	**164,491**	**(164,491)**	**—**
Total	**4,160,697**	**3,717,105**	**2,260,933**	**1,285,347**	**(164,491)**	**11,259,591**
Segment profit before income tax	**708,055**	**1,196,833**	**61,897**	**48,847**	**—**	**2,015,632**
Interest and unallocated income						**314,453**
Corporate and other unallocated expenses						**(267,096)**
Exchange gains, net						**13,296**
Share of losses of joint ventures						**(193)**
Share of profits of associates						**1,210**
Gain on disposal of a subsidiary						**62,879**
Profit before income tax						**2,140,181**
As at 31 December 2018						
Total segment assets	**10,425,961**	**4,721,513**	**2,134,655**	**1,974,370**	**(671,676)**	**18,584,823**
Unallocated						**1,364,385**
Total assets						**19,949,208**
Total segment liabilities	**2,457,124**	**594,339**	**970,002**	**1,376,598**	**(671,676)**	**4,726,387**
Unallocated						**95,183**
						4,821,570
Other segment information						
Depreciation and amortisation	**319,511**	**207,053**	**154,333**	**62,773**	**—**	**743,670**
Investment in associates	**—**	**—**	**—**	**219,758**	**—**	**219,758**
Investment in joint ventures	**—**	**—**	**—**	**227,281**	**—**	**227,281**
Impairment of property, plant and equipment	**—**	**—**	**779**	**100**	**—**	**879**
Capital expenditure*	**70,674**	**44,431**	**28,957**	**38,735**	**—**	**182,797**

	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 2017						
Segment revenue:						
Sales to external customers	3,325,834	3,458,594	2,069,489	945,761	—	9,799,678
Inter-segment sales	958	—	—	171,300	(172,258)	—
Total	3,326,792	3,458,594	2,069,489	1,117,061	(172,258)	9,799,678
Segment (loss)/profit before income tax	(412,829)	931,734	(191,442)	118,009	—	445,472
Interest and unallocated income						249,277
Corporate and other unallocated expenses						(121,456)
Exchange losses, net						(48,233)
Share of losses of joint ventures						(36,833)
Share of profits of associates						1,535
Gains on loss of control of subsidiaries						307
Profit before income tax						490,069
As at 31 December 2017						
Total segment assets	7,887,600	2,067,471	2,496,027	2,242,478	(33,553)	14,660,023
Unallocated						4,588,969
Total assets						19,248,992
Total segment liabilities	2,520,129	515,023	1,274,113	629,248	(33,553)	4,904,960
Unallocated						96,103
						5,001,063
Other segment information						
Depreciation and amortisation	446,482	218,523	242,522	76,028	—	983,555
Investment in associates	—	—	—	218,470	—	218,470
Investment in joint ventures	—	—	—	229,476	—	229,476
Impairment of property, plant and equipment	333,882	—	106,487	—	—	440,369
Impairment of investment property	—	—	—	2,271	—	2,271
Capital expenditure*	76,242	3,458	39,061	10,856	—	129,617

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

1 Inter-segment revenues are eliminated on consolidation.

2 Segment assets do not include deferred tax assets, financial asset at FVOCI (2017: available-for-sale investment), cash and cash equivalents managed on corporate level and assets of centralised cost centre.

3 Segment liabilities do not include interest payable, dividends payable, deferred tax liabilities and liabilities of centralised cost centre.

Geographic information

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

	2018	2017
	RMB'000	*RMB'000*
Sales to external customers:		
— PRC	**10,293,409**	8,689,131
— Others	**966,182**	1,110,547
	11,259,591	9,799,678

(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 2018 and 2017.

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:

	2018 *RMB'000*	2017 *RMB'000*
Revenue		
Sale of goods, recognised at a point in time	**10,901,787**	9,423,013
Rendering of services, recognised overtime	**357,804**	376,665
	11,259,591	9,799,678
Other income		
Income from sale of other materials	**52,473**	39,365
Income from rendering of other services	**25,766**	3,042
Gross rental income	**22,156**	5,004
Government grants	**24,876**	8,260
Indemnities received	**6,115**	217
	131,386	55,888

5. OTHER GAINS AND LOSSES, NET

	2018 *RMB'000*	2017 *RMB'000*
Gain on maturity of unlisted investment	**320,549**	236,888
Impairment loss on trade and other receivables	**(17,032)**	(391)
Gain on disposal of property, plant and equipment	**(251)**	1,335
Gain on disposal of a joint venture	**—**	60
	303,266	237,892

6. FINANCE INCOME

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

7. FINANCE COSTS

	2018	2017
	RMB'000	*RMB'000*
Interest on bank and financial institution borrowings	**48,445**	66,085
Financial charges payable under other long-term liabilities and obligations under finance lease	**56,190**	55,334
	104,635	121,419

8. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	2018	2017
	RMB'000	*RMB'000*
Cost of inventories sold	**8,208,539**	7,754,459
(Reversal of write-down)/write-down of inventories	**(37,025)**	37,038
Cost of services provided	**329,767**	323,091
Cost of sales recognised as expenses	**8,501,281**	8,114,588
Depreciation and amortisation:		
Depreciation of property, plant and equipment	**709,564**	953,619
Amortisation of mining rights	**2,150**	2,173
Amortisation of prepaid lease payments	**15,365**	15,537
Amortisation of investment properties	**6,030**	6,112
Amortisation of intangible assets included in administrative expense	**10,561**	6,114
	743,670	983,555
Auditors' remuneration	**3,552**	4,300
Employee benefit expense (including directors' and supervisors' remunerations		
Wages and salaries	**774,518**	671,850
Defined contribution pension scheme	**99,922**	93,349
Early retirement benefits and post-employment allowances	**1,109**	15,170
Medical benefit costs	**51,495**	38,999
Housing fund	**55,899**	53,815

9. INCOME TAX EXPENSES

	2018	2017
	RMB'000	*RMB'000*
Current tax		
PRC Enterprise Income Tax	**567,410**	380,672
Deferred tax	**29,481**	3,812
	596,891	384,484
Under/(over)-provision in prior year	**15,000**	(1,927)
	611,891	382,557

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) PRC Enterprise Income Tax

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 or loss per the consolidated statement of profit or loss as follows:

	2018	2017
	RMB'000	*RMB'000*
Profit before income tax	**2,140,181**	490,069
Tax at the statutory tax rate of 25%	**535,045**	122,517
Income tax on concessionary rate	**(584)**	(106)
Under/(over)-provision in respect of prior years	**15,000**	(1,927)
Tax effect of share of (profits)/losses of joint ventures and associates	**(254)**	8,824
Tax effect of tax losses not recognised	**21,867**	28,757
Reversal of tax losses previously recognised	**—**	106,544
Tax effect of deductible temporary differences not recognised	**37,531**	113,381
Expenses not deductible for tax	**3,286**	4,567
Income tax expenses	**611,891**	382,557
The Group's effective income tax rate	**29%**	78%

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2018	2017
	RMB'000	*RMB'000*
Earnings		
Profit for the year attributable to owners of the Company	**1,378,890**	50,232

	Number of shares	
	2018	2017
	'000	*'000*
Shares		
Number of shares in issue during the year	**4,610,000**	4,610,000

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

11. INVESTMENT IN JOINT VENTURES

	2018	2017
	RMB'000	*RMB'000*
Cost of investment in joint ventures	**265,299**	265,299
Share of post-acquisition losses and other comprehensive income, net of dividends received	**(38,018)**	(35,823)
	227,281	229,476

The joint ventures are accounted for using the equity method in these 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 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
CBC (Canada) Holding Corp ("CBC (Canada)") (中海化學(加拿大)控股公司) *(Note i)*	Canada 28 May 2013	CAD24,000	Direct Indirect	60.00 —	Investment holding
Hainan Basuo Port Labour Service Limited ("Basuo Labour Service") (海南八所港勞動服務有限公司)	PRC 14 March 2007	RMB5,000	Direct Indirect	— 36.56	Provision of overseas shipping services

The aggregate financial information in respect of the Group's joint ventures is set out below since no single joint venture is individually material:

	2018 *RMB'000*	2017 *RMB'000*
The Group's share of losses and other comprehensive income	**(2,195)**	(36,833)
Aggregate carrying amount of the Group's investment in joint ventures	**227,281**	229,476

Note i: As at 31 March 2017, Western Potash Corporation ("WPC", a listed company on Toronto Stock Exchange ("TSX")), in which CBC (Canada) held 10.1% equity interest, announced that it had completed a corporate reorganisation by way of a court approved plan of arrangement under the Business Corporations Act (British Columbia) (the "Arrangement") with Western Resources Corp. ("WRC"), pursuant to which WRC acquired all of the issued and outstanding common shares of WPC and WPC became a wholly-owned subsidiary of WRC. Under the terms of the Arrangement, former WPC shareholders received WRC's shares on the basis of 0.2 of a WRC common share for each one WPC common share. Upon the completion of the Arrangement, the proportionate ownership interests of the WRC shareholders in WRC were identical to their respective proportionate ownership interests in WPC before giving effect to the Arrangement. On 5 April 2017, WRC became the TSX listed successor company to WPC. WPC's shares were delisted from the TSX and WRC's shares commenced trading simultaneously.

In 2017, the Company recognised its share of CBC (Canada)'s losses amounted to RMB34,491,000, based on the management's assessment of recoverable amount of WRC's net assets and CBC (Canada)'s share of 10.1% interest in WRC. The recoverable amount of WRC is determined based on the stock price of WRC using the market approach.

12. TRADE RECEIVABLES

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

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

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**42,119**	267,789
Less: impairment loss	**(762)**	(361)
	41,357	267,428

An aging analysis of trade receivables as 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:

	2018	2017
	RMB'000	*RMB'000*
Within six months	**41,329**	266,313
Over six months but within one year	**28**	713
Over two years	**—**	402
	41,357	267,428

The ECLs allowance is assessed collectively for receivables that were neither past due nor impaired and individually for impaired trade receivables with an aggregate carrying amount of RMB762,000 (2017: RMB361,000).

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

	2018	2017
	RMB'000	*RMB'000*
Neither past due nor impaired	**41,170**	266,715
Less than one month past due	**—**	600
One to three months past due	**187**	113
	41,357	267,428

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

Receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group.

As at 31 December 2018, the amounts due from CNOOC, its subsidiaries, associates (other than the ultimate holding company collectively referred to as the "CNOOC group companies"), and the Company's subsidiaries' non-controlling shareholders and the non-controlling shareholder's subsidiaries (the "Other related parties") included in the above trade receivables were RMB21,950,000 (2017: RMB236,604,000). The amounts due are unsecured, non-interest-bearing and repayable on similar credit terms to those offered to the major customers of the Group.

13. PROPOSED DIVIDENDS

	2018	2017
	RMB'000	*RMB'000*
Proposed dividends — RMB0.15 (2017: RMB0.07) per ordinary share	**691,500**	322,700

The proposed final and special dividend for the year ended 31 December 2017 was approved at the annual general meeting on 31 May 2018. The proposed final dividend for year ended 31 December 2018 is subject to the approval of the Company's shareholders at the forthcoming 2018 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.

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%.

14. TRADE AND BILLS PAYABLES

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

	2018	2017
	RMB'000	*RMB'000*
Within six months	**588,115**	837,939
Over six months but within one year	**19,944**	12,942
Over one year but within two years	**74,737**	22,485
Over two years but within three years	**3,149**	3,613
Over three years	**22,445**	12,543
	708,390	889,522

As at 31 December 2018, the amounts due to CNOOC group companies included in the above trade bills payables amounted to RMB302,599,000 (2017: RMB283,433,000).

15. 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**
CNOOC Fudao Limited (海洋石油富島有限公司)	PRC 31 December 2001	RMB477,400	Direct Indirect	100.00 —	Manufacture and sale of fertilisers
Hainan CNOOC Plastic Co., Ltd. (海南中海石油塑編有限公司)	PRC 28 April 2002	RMB12,716	Direct Indirect	100.00 —	Manufacture and sale of woven plastic bags
Hainan CNOOC Transportation Co., Ltd. (海南中海石油運輸服務有限公司)	PRC 22 October 2001	RMB6,250	Direct Indirect	— 73.11	Provision of transportation services
Hainan Basuo Port Limited ("Hainan Basuo Port") (海南八所港務有限責任公司)	PRC 25 April 2005	RMB514,034	Direct Indirect	73.11 —	Port operation

Name of subsidiaries	Place and date of incorporation and operation	Registered capital *'000*		Percentage of equity interest attributable to the Company *%*	Principal activities
CNOOC Tianye Chemical Limited ("CNOOC Tianye") (中海石油天野化工有限責任公司)	PRC 18 December 2000	RMB2,272,856	Direct Indirect	92.27 —	Manufacture and sale of fertilisers, and methanol
CNOOC Kingboard Chemical Limited (中海石油建滔化工有限公司)	PRC 31 October 2003	RMB500,000	Direct Indirect	60.00 —	Manufacture and sale of methanol
CNOOC Fudao (Shanghai) Chemical Limited. (海油富島(上海)化學有限公司)	PRC 7 January 2002	RMB27,000	Direct Indirect	— 100.00	Trading of fertilisers
China Basuo Ocean Shipping Tally Co., Ltd. (八所中理外輪理貨有限公司)	PRC 9 May 2008	RMB300	Direct Indirect	— 61.41	Provision of Overseas shipping services
CNOOC Hualu Shanxi Coal Chemical Co., Ltd (中海油华鹿山西煤炭化工有限公司)	PRC 29 November 2005	RMB61,224	Direct Indirect	51.00 —	Preparatory work for a methanol and dimethyl ether project
Hubei Dayukou Chemical Co., Ltd ("Hubei Dayukou") (湖北大峪口化工有限責任公司)	PRC 12 August 2005	RMB1,103,127	Direct Indirect	79.98 —	Phosphate mining and processing, manufacture and sales of MAP and DAP fertilisers
Guangxi Fudao Agricultural Means of Production Limited (廣西富島農業生產資料有限公司)	PRC 11 January 2003	RMB20,000	Direct Indirect	— 51.00	Trading of fertilisers and chemicals
CNOOC Huahe Coal Chemical Ltd. ("CNOOC Huahe") (中海石油華鶴煤化有限公司)	PRC 26 May 2006	RMB1,035,600	Direct Indirect	100.00 —	Manufacture and sale of fertilisers

Name of subsidiaries	Place and date of incorporation and operation	Registered capital		Percentage of equity interest attributable to the Company	Principal activities
		'000		*%*	
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

(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 subsidiary	Place of Incorporation and operation	Proportion of ownership interest and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		31/12/2018	31/12/2017	**31/12/2018**	31/12/2017	**31/12/2018**	31/12/2017
				RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
CNOOC Kingboard Chemical Limited	Hainan	**40.00%**	40.00%	**160,082**	107,968	**482,293**	433,776
Hainan Basuo Port	Hainan	**26.89%**	26.89%	**(15,225)**	6,992	**180,667**	209,337
CNOOC Tianye	Inner Mongolia	**7.73%**	7.73%	**(350)**	(19,597)	**40,957**	41,306
Hubei Dayukou	Hubei	**20.02%**	20.02%	**1,559**	(39,464)	**217,363**	215,804
Yichang Mining	Hubei	**—**	49.00%	**—**	(361)	**—**	200,976

(III)MANAGEMENT DISCUSSION AND ANALYSIS

1. Sector Review

Chemical fertiliser industry

In 2018, the PRC government initiated to improve the quality of agricultural development and continuously highlighted the importance of ensuring food safety in China. Constant efforts were made to implement the policy of minimum purchase price for grain rice and wheat and to stabilise the planted areas of grain crops such as grain rice and wheat. The PRC government also proactively developed high quality rice as well as strong-gluten and weak-gluten wheat, and promoted the development of potato as a staple. According to data from National Bureau of Statistics of China, the total grain production of the PRC for 2018 was 657,890,000 tonnes, almost at the same level as 2017.

China's export tariff on NPK compound fertiliser has been revised from 20% on an ad valorem basis to a weight-based levy of RMB100 per tonne since 1 January 2018. The PRC government has lowered the value-added tax rate for goods, such as chemical fertilisers, from 11% to 10% since 1 May 2018. Starting from 1 January 2019, export tariff is no longer levied on domestic chemical fertilisers.

In 2018, the chemical fertiliser industry in the PRC has generally achieved marketisation. Under the influence of, among others, structural reform on the supply side and the upgrade of environmental protection standards, the utilisation rates of urea and phosphate fertilisers remained low, and the profitability of the industry further improved.

(1) Urea

Domestic urea production volume in 2018 was approximately 52.07 million tonnes (in kind), reaching the record low over more than a decade. Affected by tight domestic supply and the fact that the domestic market sentiment was better than that in international market, the export volume of urea from the PRC declined. In 2018, the PRC exported approximately 2.447 million tonnes of urea, representing a decrease by 46.3% compared to that of last year.

In 2018, the domestic urea market continued to linger at high level. In the first quarter, the market was weak and hit a low point at RMB1,890 per tonne in mid-April. In the second quarter, driven by domestic demand, the domestic market, which was different from the international market, showed an upward trend, with import occurring in this period and reaching a high point at RMB1,988 per ton in mid-June. In the third quarter, despite insufficient domestic demand, the market had been on the rise led by the international market, and the domestic ex-factory price increased to around RMB2,100 per tonne in early October. With insufficient demand in both domestic and international market in the fourth quarter, the market retreated to around RMB1,950 per tonne at the end of the year. According to the data of National Bureau of Statistics of China, the main revenue of the nitrogen fertiliser industry was RMB210.76 billion, representing an increase by 12.9% compared to that of last year. The total profit was RMB10.55 billion.

(2) Phosphate fertilisers

The market of ammonium phosphate in 2018 was better than that of 2017, mainly due to production limitation under environmental protection, increase in raw materials price and increasing export market. Since supply decreased while demand remained relatively steady, domestic DAP market was stable with price maintaining at high level throughout the year, representing an increase by RMB300 to 350 per tonne as compared to that of last year. In 2018, domestic production volume of ammonium phosphate was approximately 33.07 million tonnes (in kind), representing a decrease of approximately 20% as compared to 2017. Due to stable demand in international market coupled with the continued implementation of the zero-tariff policy on phosphate fertiliser export in the PRC, the export volume of DAP for the year raised to 7.47 million tonnes.

In the first quarter of 2018, driven by the demand from storage for winter, the ex-factory price of DAP rose to RMB2,600 per tonne. In the second quarter, the domestic market entered into the off-season, but with the demand from export, the market remained stable and the ex-factory price remained at around RMB2,600 per tonne. Since the beginning of the third quarter, there has been a significant price surge due to the sharp rise in the prices of raw materials, decreased utilisation rate of plants in the industry, and reduced market input. As at the end of December, the mainstream ex-factory prices of factories in Hubei remained at RMB2,700 per tonne or above.

Methanol

In 2018, the methanol market stayed in the upward cycle with sharp price rise as compared to that of 2017. The price surge was mainly due to the price increase of crude oil, tightening supply and shortfall of import expectation. In the fourth quarter, as global macro-economy turned weak, crude oil price witnessed a significant decline, and some methanol-to-olefins plants suspended production, resulting in insufficient support to the demand and a corresponding decline in methanol price. Over the year, domestic methanol price showed significant fluctuations, with the prices in Southern China fluctuating within RMB2,390–3,890 per tonne and the prices in Inner Mongolia fluctuating within RMB1,850–3,030 per tonne.

In 2018, the increase in domestic production capacity fell short of expectation. The accumulative production volume throughout the year was 55.75 million tonnes, representing an increase by 3.3% compared to the same period last year. The annual import volume was 7.43 million tonnes, representing a decrease by 9% compared to the same period last year.

POM

The production volume of POM in China hit a record high at 295,000 tonnes for 2018 due to the growth in downstream demand, and the average annual growth rate of the production volume for POM in China reached 11.8% during 2016–2018.

In 2018, the upside market sign of second half of 2017 carried on with the market price stalely goes up in the first quarter; in the second quarter, taking the advantage of the increasing demand, the market price continued to hike; in the third quarter, the overall decline was limited as the supply sources generally rose with weakness and steadily declined in short term; in the forth quarter, the support from cost was gradually weakened while the market price ongoingly dropped.

2. Business Review

Production Management

In 2018, the Company continued to strengthen the management of production and operation, while effective and stable operation was achieved at the Hainan Fudao Phase II urea plant and the coal-based urea plant of CNOOC Huahe in Heilongjiang, with the operation rates reaching 108% and 114%, respectively. Both Hainan Phase I and II plants successfully underwent long-cycle operations across years, while the urea plant and methanol plant in CNOOC Tianye have both broken their own long-term operation records. CNOOC Tianye also successfully resumed the production of line A in its POM plant. Annual output of 2018 of the Company for urea was 2.369 million tonnes, representing an increase of 98,000 tonnes compared to that of 2017, hitting a historical high; output of phosphate fertilisers and compound fertilisers was 951,000 tonnes, among which the output of compound fertilisers hit a record high, reaching 210,000 tonnes; output of methanol was 1.523 million tonnes, staying at the same level as 2017; output of POM was 10,000 tonnes.

Details of production of the Group's plants in 2018 are set out as follows:

	For the year ended 31 December			
	2018		2017	
	Production (tonnes)	***Utilisation rate (%)***	*Production (tonnes)*	*Utilisation rate (%)*
Chemical fertilisers				
Urea				
Fudao Phase I	**468,786**	**90.2**	566,184	108.9
Fudao Phase II	**863,562**	**107.9**	749,373	93.7
CNOOC Tianye	**443,030**	**85.2**	374,164	72.0
CNOOC Huahe	**594,005**	**114.2**	581,527	111.8
Group total	**2,369,383**	**100.4**	2,271,248	96.2
Phosphate Fertilisers and Compound Fertilisers				
DYK MAP	**60,435**	**40.3**	67,978	45.3
DYK DAP Phase I *(Note 1)*	**282,452**	**80.7**	292,729	83.6
DYK DAP Phase II	**608,341**	**121.7**	583,133	116.6
Group total	**951,228**	**95.1**	943,840	94.4
Chemical Products				
Methanol				
Hainan Phase I	**574,175**	**95.7**	551,745	92.0
Hainan Phase II	**787,363**	**98.4**	791,240	98.9
CNOOC Tianye	**161,445**	**80.7**	191,829	95.9
Group total	**1,522,983**	**95.2**	1,534,814	95.9
POM				
CNOOC Tianye POM *(Note 2)*	**10,275**	**102.8**	—	—
Group total	**10,275**	**102.8**	—	—

Note 1: In 2018, DYK DAP Phase I Plant produced 72,043 tonnes of DAP and 210,409 tonnes of compound fertilisers, respectively, amounting to 282,452 tonnes in total. In 2017, DYK DAP Phase I Plant produced 192,954 tonnes of DAP and 99,775 tonnes of compound fertilisers, respectively, amounting to 292,729 tonnes in total.

Note 2: Line A of CNOOC Tianye POM Plant has resumed since the end of June 2018. Its production volume in 2018 was calculated from the date of resume only.

Sales Management

In response to fierce market competition, the Company further underwent reforms and achieved success in the materialisation of the marketing business. The Company fully capitalised on the market conditions and precisely priced its products at market level. Guided by market demand, new value-added products were developed to expand the compound fertiliser market. In 2018, the Company sold 2.326 million tonnes of urea, representing an increase of 2% compared to the same period last year, which hit a historical high for the same period; 1.451 million tonnes of methanol was sold, representing a decrease of 5% compared to the same period last year; 915,000 tonnes of phosphate fertilisers and compound fertilisers were sold, among which the sale volumes of compound fertilisers reached 177,000 tonnes, doubling that of 2017; 10,000 tonnes of polyformaldehyde was sold. The total annual export volumes of urea and DAP were 166,000 tonnes and 221,000 tonnes, respectively.

Urea

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

	For the year ended 31 December			
	2018		2017	
Sales region	***Volume (tonnes)***	***Percentage (%)***	*Volume (tonnes)*	*Percentage (%)*
North-eastern China	**699,814**	**30.1**	803,959	35.3
Northern China	**455,326**	**19.6**	228,244	10.0
Eastern China	**36,253**	**1.6**	41,183	1.8
South-eastern China	**131,047**	**5.6**	68,649	3.0
Southern China	**749,087**	**32.2**	566,824	24.9
Hainan	**88,366**	**3.8**	82,803	3.6
International	**165,664**	**7.1**	487,602	21.4
Total	**2,325,557**	**100.0**	2,279,264	100.0

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:

	For the year ended 31 December			
	2018		2017	
Sales region	**Volume *(tonnes)***	**Percentage *(%)***	Volume *(tonnes)*	Percentage *(%)*
North-eastern China	**229,023**	**25.0**	281,713	29.1
Northern China	**284,627**	**30.1**	371,063	38.3
Eastern China	**67,186**	**7.3**	46,049	4.7
South-eastern China	**55,456**	**6.1**	41,499	4.3
Southern China	**57,388**	**6.3**	13,550	1.4
International	**220,992**	**24.2**	214,580	22.2
Total	**914,672**	**100.0**	968,454	100.0

Methanol

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

	For the year ended 31 December			
	2018		2017	
Sales region	**Volume *(tonnes)***	**Percentage *(%)***	Volume *(tonnes)*	Percentage *(%)*
North-eastern China	**87,083**	**6.0**	109,666	7.1
Northern China	**54,455**	**3.8**	91,991	6.0
Eastern China	**168,704**	**11.6**	133,999	8.7
South-eastern China	**37,709**	**2.6**	122,011	8.0
Southern China	**1,005,432**	**69.3**	967,057	63.1
Hainan	**97,835**	**6.7**	108,541	7.1
International	**0**	**0**	0	0
Total	**1,451,218**	**100.0**	1,533,265	100.0

POM

In 2018, the Group produced a total of 10,275 tonnes of POM and achieved a sales volume of 9,985 tonnes.

BB fertilisers

In 2018, the Group produced a total of 49,373 tonnes of BB fertilisers and achieved a sales volume of 50,398 tonnes.

Sea-land logistics services

In 2018, Basuo Port in Hainan completed a volume of throughput of 10.03 million tonnes.

3. Financial Review

Revenue

During the reporting period, the Group's revenue was RMB11,259.6 million, representing an increase of RMB1,459.9 million, or 14.9%, from RMB9,799.7 million for the same period of 2017. The increase was primarily attributable to a significant increase in selling prices of methanol, phosphate fertilisers and compound fertilisers and urea of the Group.

During the reporting period, the Group's external revenue from urea was RMB4,160.7 million, representing an increase of RMB834.9 million, or 25.1%, from RMB3,325.8 million during the same period of 2017. The increase was primarily attributable to (1) an increase in the sales volume of urea by 46,293 tonnes, leading to an increase in revenue by RMB67.6 million; and (2) an increase in revenue by RMB767.3 million resulted from an increase in the selling price of urea by RMB329.9 per tonne.

During the reporting period, the Group's external revenue from phosphate fertilisers and compound fertilisers was RMB2,260.9 million, representing an increase of RMB191.4 million, or 9.2%, from RMB2,069.5 million for the same period of 2017. The increase was primarily attributable to (1) an increase in the selling price of phosphate fertilisers and compound fertilisers by RMB334.9 per tonne, resulting in an increase in revenue by RMB306.3 million; and (2) a decrease in revenue by RMB114.9 million resulted from a decrease in the sales volume of phosphate fertilisers and compound fertilisers by 53,779 tonnes, which partially offset the above increase.

During the reporting period, the Group's external revenue from methanol was RMB3,717.1 million, representing an increase of RMB258.5 million, or 7.5%, from RMB3,458.6 million for the same period of 2017. The increase was primarily attributable to (1) an increase in the selling price of methanol by RMB305.7 per tonne, resulting in an increase in revenue by RMB443.6 million; and (2) a decrease in revenue by RMB185.1 million resulted from a decrease in the sales volume of methanol by 82,047 tonnes, which partially offset the above increase.

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 POM, BB fertilisers and woven plastic bags) increased by RMB175.1 million, or 18.5%, to RMB1,120.9 million as compared to RMB945.8 million during the same period of 2017, which was primarily attributable to (1) the operation of POM plant resumed this year, resulting in an increase in revenue by RMB104.4 million; (2) an increase in revenue by RMB78.1 million in the trading segment of the current year compared to that of last year; (3) an increase in revenue resulting from the sales of liquid ammonium, concentrated phosphoric acid and carbon dioxide by RMB17.4 million; (4) a decrease in revenue of RMB18.9 million due to the decrease of business volume of transportation in Basuo Port by 2,444,058 tonnes; and (5) a decrease by RMB5.9 million in revenue from selling BB fertilisers and woven plastic bags, which partially offset the above increase.

Cost of sales

During the reporting period, the Group's cost of sales was RMB8,501.3 million, representing an increase of RMB386.7 million, or 4.8%, from RMB8,114.6 million in 2017.

During the reporting period, the Group's cost of sales for urea was RMB3,147.0 million, representing an increase by RMB99.4 million, or 3.3%, from RMB3,047.6 million in 2017. The increase was primarily attributable to (1) an increase in cost of sales by RMB123.6 million due to a rise in the sales volume by 126,886 tonnes of CNOOC Tianye in Inner Mongolia; (2) an increase in cost by RMB41.2 million caused by an increase in repairment cost of Fudao Phase I and Phase II urea production plants in Hainan as compared with that of last year and rising prices of natural gas; and (3) a decline in cost of sales from CNOOC Huahe in Heilongjiang by RMB65.4 million resulted from a drop in sales volume by 75,124 tonnes compared with that of last year, which partially offset the above increase.

The Group's cost of sales for phosphate fertilisers and compound fertilisers during the reporting period was RMB2,000.4 million, representing an increase of RMB47.8 million, or 2.4%, from RMB1,952.6 million in 2017. The increase was primarily attributable to (1) an increase in cost of sales of RMB165.4 million resulted from a significant increase in price of raw materials for producing phosphate fertilisers and compound fertilisers; and (2) a decrease in cost of sales of RMB117.6 million resulted from a decrease in sales volume of phosphate fertilisers and compound fertilisers by 53,779 tonnes, which partially offset the increase.

The Group's cost of sales for methanol during the reporting period was RMB2,305.1 million, representing an increase of RMB43.4 million, or 1.9%, from RMB2,261.7 million in 2017. The increase was primarily attributable to (1) an increase in cost of sales by RMB173.7 million resulted from a year-on-year increase of repairment cost of Hainan Methanol Plant and the price surge of natural gas; and (2) a decrease in cost of sales by RMB130.3 million caused by a decline in sales volume of methanol by 82,047 tonnes, which partially offset the above increase.

The Group's cost of sales from other segments during the reporting period increased by RMB196.0 million, or 23.0%, from RMB852.7 million in 2017 to RMB1,048.7 million. The increase was primarily attributable to (1) the operation of POM plant resumed this year, resulting in an increase in cost of sales by RMB124.7 million; (2) an increase in cost of trading businesses by RMB78.6 million; and (3) a year-on-year decrease in cost of sales of Basuo Labour Service, BB fertilisers and liquid ammonia by RMB7.3 million, which partially offset the above increase.

Gross profit

The Group's gross profit during the reporting period was RMB2,758.3 million, representing an increase of RMB1,073.2 million, or 63.7%, from RMB1,685.1 million in 2017. The increase was primarily attributable to (1) an increase in gross profit for urea by RMB735.5 million due to a significant increase in the selling price of urea in 2018; (2) an increase in gross profit for methanol by RMB215.0 million due to a greater impact of year-on-year increase in the selling price of methanol comparing with that of the year-on-year decrease in sales volume in 2018; (3) an increase in gross profit for phosphate fertilisers and compound fertilisers by RMB143.7 million due to a greater impact of year-on-year increase in the selling price of phosphate fertilisers and compound fertilisers than the impact of a drop in sales volume and an increase in unit cost; and (4) a decline in gross profit for other business by RMB21.0 million.

Other income

The Group's other income during the reporting period amounted to RMB131.4 million, representing an increase by RMB75.5 million, or 135.1%, from other income of RMB55.9 million in 2017. The increase was primarily attributable to (1) an increase in profit of RMB56.9 million from other business; and (2) an increase in government grants and other non-operating income by RMB18.6 million.

Other gains and losses

The Group's other gains and losses during the reporting period was RMB303.3 million, representing an increase by RMB65.4 million, or 27.5%, from other gains and losses of RMB237.9 million in 2017. The increase was primarily attributable to (1) an increase in short-term bank wealth management gains (including gains on US dollar fix term deposits with maturity over three months) by RMB83.2 million; and (2) a decline in other gains and losses by RMB16.8 million due to an increase of credit impairment losses, which partially offset the above increase.

Selling and distribution expenses

The Group's selling and distribution expenses during the reporting period amounted to RMB418.5 million, representing an increase of RMB32.7 million, or 8.5%, from selling and distribution expenses of RMB385.7 million in 2017. The increase was primarily attributable to (1) a year-on-year increase of RMB27.6 million in direct sales expenses such as transportation expenses due to the change in freight settlement mode of CNOOC Huahe in Heilongjiang and the change of sales model during the current year; and (2) a year-on-year increase by RMB5.8 million in advertisement and exhibition costs.

Administrative expenses

The Group's administrative expenses during the reporting period amounted to RMB455.6 million, representing an increase of RMB2.6 million, or 0.6%, from administrative expenses of RMB453.0 million in 2017.

Other expenses

The Group's other expenses during the reporting period amounted to RMB161.6 million, representing an increase of RMB148.1 million, or 1,097.0%, from other expenses of RMB13.5 million in 2017. The increase was primarily attributable to (1) an increase in expenses of "Three Supplies and One Property" by RMB127.5 million; (2) an increase in damage and retirement losses of assets inactive for three years or above by RMB18.6 million; and (3) an increase in bank handling fees and interest of bills discounting and contribution expenses by RMB2.0 million.

Finance income and finance costs

The Group's finance income during the reporting period increased by RMB0.5 million, or 4.7%, to RMB11.2 million from the finance income of RMB10.7 million in 2017. The increase was primarily attributable to the impact of changes in the average daily balance of the Group's deposits.

The Group's financing costs during the reporting period amounted to RMB104.6 million, representing a decrease of RMB16.8 million, or 13.8%, from the finance costs of RMB121.4 million in 2017. The decrease was primarily attributable to a decrease in financing costs due to the decline in the scale of bank borrowings and financial leases.

Net exchange (losses)/gains

During the reporting period, the Group recorded a net exchange gain of RMB13.3 million, whereas an exchange loss of RMB48.2 million was recorded in 2017, representing a difference of RMB61.5 million. It was primarily attributable to an exchange gain of RMB21.4 million recorded on the US dollar deposit held by the Group resulted from an increase in the exchange rate of US dollar and the exchange loss brought by foreign currency transactions partially offset the above exchange gain.

Impairment of long-term assets

The Group's asset impairment loss during the reporting period was RMB0.9 million, representing a drop of RMB441.7 million from the asset impairment loss of RMB442.6 million in 2017. It was primarily attributable to the Company's assets impairment provision of RMB440.4 million in 2017 for the coal-based urea plant of CNOOC Huahe and the phosphate fertilisers and compound fertilisers plants of Hubei Dayukou after conducting an impairment test on coal-based urea plant and phosphate fertilisers and compound fertilisers plants of the Company in accordance with IAS 36, due to a significant increase of the price of raw materials such as coal and liquid ammonium.

Net gains/(losses) of associates and joint ventures

During the reporting period, the share of gains of associates and joint ventures by the Group was RMB1.0 million, representing a decrease in losses of RMB36.3 million in the share of losses of associates and joint ventures of RMB35.3 million in 2017. The increase was primarily attributable to the recognition of loss on investment in CBC (Canada) Holding Corp., amounting to RMB34.5 million in 2017.

Income tax expenses

The Group's income tax expenses during the reporting period was RMB611.9 million, representing an increase of RMB229.3 million from income tax expenses of RMB382.6 million in 2017. It was primarily attributable to (1) a pre-tax profit of RMB2,140.2 million recorded by the Group for the current year as compared to the pre-tax profit of RMB490.1 million recorded by the Group in 2017; and (2) an increase in the income tax expenses by RMB31.7 million as a result of the impact of the reversal of deferred income tax assets recognized by CNOOC Tianye in Inner Mongolia.

Net profit for the year

The Group's net profit during the reporting period was RMB1,528.3 million, representing an increase of RMB1,420.8 million from a net profit of RMB107.5 million in 2017.

Dividends

The board of directors of the Company (the "**Board**") recommended the payment of final dividends of RMB691.5 million, or dividends of RMB0.15 per share for 2018. The proposed final dividends for 2018 will be subject to the approval of the shareholders of the Company at the 2018 annual general meeting.

Capital expenditure

During the reporting period, the Group's capital expenditure in respect of property, plant and equipment as well as prepaid lease payments amounted to RMB205.7 million. Capital expenditure primarily included (1) the project of reclaimed waste water in Hainan Base areas of RMB11.9 million; (2) the tug boat project of Basuo Labour Service of RMB22.4 million; and (3) investments of RMB171.4 million in the upgrade and improvement of the Group's other production plants and purchase of equipment.

Pledge of assets

During the reporting period, 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 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 2018 (calculated as interest bearing liabilities divided by the sum of total equity and interest bearing liabilities) was 12.3%, representing a decrease of 1.1% as compared to 13.4% as at 31 December 2017, which was primarily attributable to the increase in the Company's capital by RMB879.7 million in 2018 and the decrease in the principal of financial leases and interest bearing bank borrowings by RMB85.0 million.

Cash and cash equivalents

As at the beginning of 2018, the Group's cash and cash equivalents were RMB6,604.9 million. In 2018, the net cash inflow from operating activities was RMB2,004.2 million, the net cash outflow from investing activities was RMB4,539.2 million, the net cash outflow from financing activities was RMB691.3 million, and the increase of cash and cash equivalents caused by an increase in exchange rates was RMB21.4 million. As at 31 December 2018, the Group's cash and cash equivalents were RMB3,400.0 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 31 December 2018, the Group had 4,960 employees. The aggregate of employees' wages and allowances for 2018 was approximately RMB710.1 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 2018, the Company held 2,926 training courses, and recorded a total of 86,177 enrolments and 330,908 training hours according to its annual training plan during the reporting period. The Company also held 6,639 training courses for workplace safety with a total of 89,327 enrolments and 235,001 training hours.

Market risk

The major market risks faced by the Group are exposure to changes in the selling prices of the key products and in costs of raw materials (mainly natural gas, coal, phosphate ore, liquid ammonium and sulphur), fuels (mainly natural gas and coal) and energy.

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 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 RMB and secondarily in US dollar; the Group's purchases of equipment and raw materials were primarily denominated in RMB and secondarily in US dollar. During the reporting period, the RMB to US dollar exchange rate ranged between 6.2764 and 6.9670. The fluctuation of RMB to US dollar exchange rate may affect the import of our equipment and raw materials, the export of our products as well as the financing activities in US dollar.

As at 31 December 2018, the balance of the Group's deposit in US dollar was US$53.8 million.

Inflation and currency risk

According to the data of National Bureau of Statistics of China, the consumer price index of the PRC increased by 2.1% during the reporting period, and the consumer price index of the PRC did not have any significant effect on the Group's operating results in 2018.

Liquidity risk

The Group monitors its risk exposure to a shortage of funds. The Group also considers on a comprehensive basis of the liquidity of financial investments and financial assets (for example, 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 the use of various funding options, including but not limited to bank loans and bonds.

As at 31 December 2018, based on the carrying values of borrowings as shown in the financial statements, the Group had borrowings of RMB100.0 million and financial leases with a principal in the amount of RMB1,335.0 million that would reach maturity within one year. The Group has sufficient capital and is not exposed to liquidity risk.

Subsequent events

Subsequent to the reporting period to the date of this announcement, the Group had no material 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 and arbitration.

Major acquisition and disposition of the Company's subsidiaries and associates

During the reporting period, disposing 51% of the equity interests of China BlueChemical Yichang Mining Ltd. by means of equity transfer through public tender was completed, at the transfer price of approximately RMB272.0 million, to realise revenue in equity interest investment of approximately RMB62.9 million.

4. Sector Outlook

Looking forward to 2019, the global demand on chemical fertilisers will maintain a stable growth. The PRC government will maintain the zero-tariff policy on the export of chemical fertilisers in the PRC; continuous implementation of supply-side reform and the upgrade of environmental protection standards will further foster the integration in domestic chemical fertiliser industry; domestic development of methanol-to-olefin and alternative energies will continue to be the major driving force for the demands for methanol.

5. Our Key Tasks in 2019

1. To continue to enhance and improve HSE and refined production management, and ensure the safe and smooth operation of all production plants;

2. To enhance fundamental management, and strive to increase the digitalisation of production and operation management;

3. To continue to optimise the product structure, increase the profitability in adaption to market demand, and increase the production and sales of NPK and value-added fertilisers;

4. To continue to intensify reformation of the marketing system, steadily carry forward materialization of the marketing business, and further polish brand image and increase influence;

5. To further implement cost-reduction, quality-improvement and efficiency-enhancement, facilitate the joint development of Xinhua coal mine, continue to promote the structural reformation of procurement management system, and endeavour to control costs; and

6. To continue to conduct researches on the viability of utilisation of natural gas to produce high-end chemical products in Hainan, and place awareness on domestic and foreign development opportunities in line with corporate strategies.

(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 2018 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 2018.

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 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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

The Board confirms that, having made specific enquiries with all directors and supervisors by the Company, during the reporting period ended 31 December 2018, all members of the Board and all supervisors have complied with the required standards as set out in the Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 of the Listing Rules.

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

The register of members of the Company will be closed from 30 April 2019 to 30 May 2019 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for attendance at the annual general meeting (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 29 April 2019.

Proposed Final Dividends and Closure of the Register of Members

The Board has recommended the payment of final dividends of RMB0.15 (tax included) per share for the year ended 31 December 2018 to shareholders of the Company whose names appear on the register of members of the Company on the proposed record date, 11 June 2019. The proposed final dividends for 2018 will be subject to the approval of shareholders of the Company at the 2018 annual general meeting to be held on 30 May 2019. 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 2019.

The register of members of the Company will be closed from 6 June 2019 to 11 June 2019 (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 2019.

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 have the obligation to 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 shall make an announcement in a timely fashion on such changes.

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

During 2018, 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 2018 Annual Report will be available on the HKExnews and the Company's website in due course.

By Order of the Board
China BlueChemical Ltd.*
Xia Qinglong
Chairman

Hong Kong, the People's Republic of China, 27 March 2019

As at the date of this announcement, the executive Directors of the Company are Mr. Xia Qinglong and Mr. Wang Weimin, the non-executive Directors of the Company are Mr. Meng Jun and Mr. Guo Xinjun, and the independent non-executive Directors of the Company are Ms. Lee Kit Ying, Mr. Lee Kwan Hung and Mr. Yu Changchun.

* *For identification purpose only.*