中海石油化学股份有限公司
China BlueChemical Ltd.*

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

(Stock Code: 3983)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

1. Revenue amounted to RMB10,858 million
2. Gross profit amounted to RMB1,921 million
3. Profit attributable to owners of the Company amounted to RMB703 million
4. Basic earnings per share amounted to RMB0.15
5. Proposed final dividends amounted to RMB0.076 per share

(I) AUDITED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Notes	**2019** ***RMB'000***	2018 *RMB'000*
Revenue	4	**10,858,435**	11,259,591
Cost of sales		**(8,937,079)**	(8,501,281)
Gross profit		**1,921,356**	2,758,310
Other income	4	**200,603**	131,386
Other gains and losses, net	5	**52,588**	303,266
Selling and distribution costs		**(440,918)**	(418,466)
Administrative expenses		**(489,120)**	(455,598)
Other expenses		**(30,267)**	(161,582)
Finance income	6	**231,286**	11,187
Finance costs	7	**(103,141)**	(104,635)
Gain on disposal of a subsidiary		**—**	62,879
Change in fair value of financial assets at fair value through profit or loss		**48,451**	—
Impairment losses		**(4,813)**	(879)
Exchange (losses)/gains, net		**(598)**	13,296
Share of losses of joint ventures		**(3,120)**	(193)
Share of (losses)/profits of associates		**(3,224)**	1,210
Profit before income tax	8	**1,379,083**	2,140,181
Income tax expenses	9	**(624,095)**	(611,891)
		754,988	1,528,290
Profit attributable to:			
Owners of the Company	10	**703,217**	1,378,890
Non-controlling interests		**51,771**	149,400
		754,988	1,528,290
Earnings per share attributable to owners of the Company			
— Basic for the year *(RMB per share)*	10	**0.15**	0.30

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2019

	2019	2018
	RMB'000	*RMB'000*
Profit for the year	**754,988**	1,528,290
Other comprehensive income for the year, net of tax:		
Exchange differences arising on translation of foreign operations	**625**	946
Share of other comprehensive income of joint ventures	**3,758**	(2,002)
Share of other comprehensive income of associates	**53**	78
Other comprehensive income for the year, net of tax	**4,436**	(978)
Total comprehensive income for the year	**759,424**	1,527,312
Total comprehensive income attributable to:		
Owners of the Company	**707,653**	1,377,912
Non-controlling interests	**51,771**	149,400
	759,424	1,527,312

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 2019

	Notes	**2019**	2018
		RMB'000	*RMB'000*
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		**6,752,340**	7,100,978
Mining rights		**133,744**	135,593
Prepaid lease payments		**571,221**	573,582
Investment properties		**99,445**	110,053
Intangible assets		**28,574**	33,282
Investment in joint ventures	11	**227,919**	227,281
Investment in associates		**216,587**	219,758
Financial asset at fair value through other comprehensive income		**600**	600
Deferred tax assets		**504,140**	806,692
		8,534,570	9,207,819
CURRENT ASSETS			
Inventories		**1,110,767**	1,286,322
Trade receivables	12	**32,608**	41,357
Bills receivable		**333,354**	113,949
Contract assets		**58,233**	16,116
Prepayments, deposits and other receivables		**337,246**	323,819
Financial assets at fair value through profit or loss		**2,898,451**	—
VAT recoverable		**286,118**	248,982
Pledged bank deposits		**4,129**	50,003
Time deposits with original maturity over three months		**5,000,000**	5,260,802
Cash and cash equivalents		**824,096**	3,400,039
		10,885,002	10,741,389
TOTAL ASSETS		**19,419,572**	19,949,208
EQUITY			
CAPITAL AND RESERVES			
Issued capital		**4,610,000**	4,610,000
Reserves		**9,350,089**	8,909,182
Proposed dividends	13	**350,360**	691,500
Equity attributable to owners of the Company		**14,310,449**	14,210,682
Non-controlling interests		**806,640**	916,956
TOTAL EQUITY		**15,117,089**	15,127,638

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 31 December 2019

	Notes	**2019** **RMB'000**	2018 RMB'000
LIABILITIES			
NON-CURRENT LIABILITIES			
Benefits liability		**42,455**	52,037
Interest-bearing bank borrowings		**422,000**	685,000
Lease liabilities		**22,190**	—
Deferred tax liabilities		**19,382**	43,147
Deferred revenue		**130,126**	169,327
Other long-term liabilities		**29,880**	139,896
		666,033	1,089,407
CURRENT LIABILITIES			
Interest-bearing bank borrowings		**1,587,000**	100,000
Trade payables	14	**688,471**	708,390
Contract liabilities		**442,869**	557,099
Other payables and accruals		**876,619**	843,668
Obligations under finance leases		**—**	1,336,131
Lease liabilities		**4,527**	—
Income tax payable		**36,964**	186,875
		3,636,450	3,732,163
TOTAL LIABILITIES		**4,302,483**	4,821,570
TOTAL EQUITY AND LIABILITIES		**19,419,572**	19,949,208
NET CURRENT ASSETS		**7,248,552**	7,009,226
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,783,122**	16,217,045
NET ASSETS		**15,117,089**	15,127,638

(II) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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. 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")

(a) Adoption of new or revised IFRSs — effective 1 January 2019

IFRS 16	Leases
IFRIC–Int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features and Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to IFRSs 2015–2017 Cycle	Amendments to IFRS 3, Business Combinations, IFRS 11, Joint Arrangements, IAS 12, Income Taxes and IAS 23, Borrowing costs

The impact of the adoption of IFRS 16 Leases have been summarised in below. The other new or amended IFRSs that are effective from 1 January 2019 did not have any significant impact on the group's accounting policies.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has initial adopted IFRS 16 from 1 January 2019 and applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated, i.e. it is presented, as previously reported, under IAS 17 Leases and related interpretations. The details of the changes in accounting policies are disclosed below.

A. Definition of a lease

Previously, the Group identified leases in accordance with IAS 17 and IFRIC-4 Determining Whether an Arrangement contains a Lease. The Group assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC-4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

B. As a lessee

Under IAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under IFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but IFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for leases for which at the commencement date have a lease term of 12 months or less. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease. The Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The lease payments include: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

C. As a lessor

The Group has leased out its investment property to a number of tenants. As the accounting under IFRS 16 for a lessor is substantially unchanged from the requirements under IAS 17, the adoption of IFRS 16 does not have significant impact on these consolidated financial statements.

D. Transition

As mentioned above, the Group has applied IFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application (1 January 2019). The comparative information presented in 2018 has not been restated and continues to be reported under IAS 17 and related interpretations as allowed by the transition provision in IFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying IAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise all the right-of-use assets at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. None of the right-of-use assets were impaired at 1 January 2019.

The Group has also applied the follow practical expedients: (i) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 January 2019) and accounted for those leases as short-term leases; (ii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 January 2019 and (iii) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) IFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying IAS 17 and IFRIC–4 Determining whether an Arrangement contains a Lease and (ii) not to apply IFRS 16 to contracts that were not previously identified as containing a lease under IAS 17 and IFRIC–4.

For those finance leases previously classified as finance leases under IAS 17, the Group recognised the carrying amount of the lease assets and lease liabilities immediately before transition as the carrying amount of the right-of-use assets and the lease liabilities on 1 January 2019.

E. Impact on transition

The table below summaries the impact on the adoption of IFRS 16:

	IAS 17 Carrying amount 31 December 2018	**Reclassification**	**Capitalisation of operating lease contracts**	**IFRS 16 Carrying amount 1 January 2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Right-of-use assets comprise of				
— Property, plant and equipment	1,181,338	1,882	4,478	1,187,698
— Prepaid lease payments	573,582	15,204	—	588,786
Prepayments, deposits and other receivables	323,819	(17,086)	—	306,733
Liabilities				
Lease liabilities	—	1,362,322	4,478	1,366,800
Obligations under finance leases	1,336,131	(1,336,131)	—	—
Other long-term liabilities	139,896	(26,191)	—	113,705

The table below explains the differences between the operating lease commitments disclosed at 31 December 2018 by applying IAS 17 and the lease liabilities at the date of initial application at 1 January 2019 by applying IFRS 16:

	RMB'000
Reconciliation of operating lease commitments to lease liabilities	
Operating lease commitments at 31 December 2018	7,367
Less: short term leases for which lease terms end within 31 December 2019	(2,076)
Less: future interest expenses	(813)
Add: obligations under finance leases recognised as at 31 December 2018	1,336,131
Add: obligation under finance lease recognised under other long-term liabilities as at 31 December 2018	26,191
Lease liabilities recognised as at 1 January 2019	1,366,800

The weighted average lessee's incremental borrowing rate at 1 January 2019 was 4.84%.

F. Impacts for the year

The following tables give an indication of the estimated impact of the adoption of IFRS 16 on the group's financial result and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under IFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply in 2019 instead of IFRS 16.

	Amounts reported under IFRS 16 *RMB'000*	**Add back IFRS 16 additional depreciation and interest** *RMB'000*	**Deduct: Estimated rental payment related to operating leases under IAS 17** *RMB'000* *(Note 1)*	**Hypothetical amounts under IAS 17** *RMB'000*
Financial result for the year ended 31 December 2019 impacted by the adoption of IFRS 16:				
Profit from operations	1,482,224	2,480	(2,920)	1,481,784
Finance costs	(103,141)	300	—	(102,841)
Profit before income tax	1,379,083	2,780	(2,920)	1,378,943
Profit for the year	754,988	2,780	(2,920)	754,848

	Amounts reported under IFRS 16 *RMB'000*	**Deduct: Estimated rental payment related to operating leases under IAS 17** *RMB'000* *(Note 2)*	**Hypothetical amounts under IAS 17** *RMB'000*
Line items in the consolidated statement of cash flows for the year ended 31 December 2019 impacted by the adoption of IFRS 16:			
Net cash generated from operating activities	1,142,589	(2,920)	1,139,669
Net cash used in financing activities	(1,030,192)	2,920	(1,027,272)

Note 1: The "estimated rental payment related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if IAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under IAS 17, if IAS 17 had still applied in 2019. Any potential net tax effect is ignored due to immaterial.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if IAS 17 still applied.

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised right-of-use assets of RMB8,415,000 and lease liabilities of RMB6,393,000 as at 31 December 2019.

Also in relation to those leases under IFRS 16, the Group has recognised additional depreciation and interest costs, instead of operating lease expense. During the year ended 31 December 2019, the Group recognised additional depreciation of RMB2,480,000 and additional interests of RMB300,000 from these leases. In contrast, rental expenses decreased by RMB2,920,000.

The following are the changes in carrying amounts of the Group's right-of-use assets and related lease liabilities during the year:

	Right-of-use assets				
	Plant and machinery	**Buildings**	**Prepaid lease payments**	**Total**	**Lease liabilities**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	1,181,338	6,360	588,786	1,776,484	1,366,800
Additions	—	4,535	—	4,535	4,535
Depreciation	(53,493)	(2,480)	(15,377)	(71,350)	—
Disposal	—	—	(2,188)	(2,188)	—
Transfer*	(1,107,162)	—	—	(1,107,162)	—
Interest	—	—	—	—	14,141
Lease payments	—	—	—	—	(1,358,759)
At 31 December 2019	20,683	8,415	571,221	600,319	26,717

* The amounts were transferred to owned assets upon the maturity of the lease during the year ended 31 December 2019.

IFRIC–Int 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 19 — Plan amendments, curtailment or settlement

The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company should use updated actuarial assumptions to determine its current service cost and net interest for the period. Additionally, the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

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 3, Business Combinations

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 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

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.

(b) 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 consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to IFRS 3	Definition of a business[1]
Amendments to IAS 1 and IAS 8	Definition of material[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

1 Effective for annual periods beginning on or after 1 January 2020

2 The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred or removed. Early application of the amendments of the amendments continue to be permitted.

Amendments to IFRS 3 — Definition of a business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to IAS 1 and IAS 8 — Definition of material

The amendments clarify the definition and explanation of "material", aligning the definition across all IFRS Standards and the Conceptual Framework, and incorporating supporting requirements in IAS 1 into the definition.

Amendments to IFRS 9, IAS 39 and IFRS 7 — Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

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.

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 ("BB") fertiliser, polyformaldehyde ("POM") and woven plastic bags.

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

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

Operating segments

	Urea *RMB'000*	Methanol *RMB'000*	Phosphorus and compound fertiliser *RMB'000*	Others *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Year ended 31 December 2019						
Segment revenue:						
Sales to external customers	4,424,023	2,888,703	2,045,121	1,500,588	—	10,858,435
Inter-segment sales	—	—	—	351,887	(351,887)	—
Total	4,424,023	2,888,703	2,045,121	1,852,475	(351,887)	10,858,435
Segment profit/(loss) before income tax	710,303	433,187	75,409	(26,978)	—	1,191,921
Interest and unallocated income						332,325
Corporate and other unallocated expenses						(138,221)
Exchange losses, net						(598)
Share of losses of joint ventures						(3,120)
Share of losses of associates						(3,224)
Profit before income tax						1,379,083
As at 31 December 2019						
Total segment assets	10,379,431	4,580,593	1,952,984	2,271,130	(713,812)	18,470,326
Unallocated						949,246
Total assets						19,419,572
Total segment liabilities	2,304,130	479,929	924,027	1,246,372	(713,812)	4,240,646
Unallocated						61,837
Total liabilities						4,302,483
Other segment information						
Depreciation and amortisation	324,407	198,388	140,644	39,591	—	703,030
Capital expenditure*	204,494	88,218	44,513	44,685	—	381,910

	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
Total liabilities						4,821,570
Other segment information						
Depreciation and amortisation	319,511	207,053	154,333	62,773	—	743,670
Impairment of property, plant and equipment	—	—	779	100	—	879
Capital expenditure*	70,674	44,431	28,957	38,735	—	182,797

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

1 Inter-segment revenues are eliminated on consolidation.

2 Segment assets do not include deferred tax assets, financial asset at fair value through other comprehensive income ("FVOCI") and investments in joint ventures and associates.

3 Segment liabilities do not include dividends payable, deferred tax liabilities and benefits liability.

Geographic information

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

	2019	2018
	RMB'000	*RMB'000*
Sales to external customers:		
— PRC	**10,208,733**	10,293,409
— Others	**649,702**	966,182
	10,858,435	11,259,591

(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 2019 and 2018.

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:

	2019 *RMB'000*	2018 *RMB'000*
Revenue		
Sale of goods, recognised at a point in time*	**10,482,423**	10,901,787
Render of services, recognised overtime*	**376,012**	357,804
	10,858,435	11,259,591
Other income		
Income from sale of other materials, recognised at a point in time*	**43,022**	52,473
Income from render of other services, recognised overtime*	**7,661**	25,766
Gross rental income	**9,834**	22,156
Government grants	**104,250**	24,876
Indemnities received	**9,344**	6,115
Sundry income	**26,492**	—
	200,603	131,386

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

5. OTHER GAINS AND LOSSES, NET

	2019 *RMB'000*	2018 *RMB'000*
Gain on maturity of financial assets at FVTPL	**45,641**	320,549
Reversal of impairment loss/(impairment loss) on trade and other receivables	**174**	(17,032)
Gain/(loss) on disposal of property, plant and equipment	**6,773**	(251)
	52,588	303,266

6. FINANCE INCOME

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

7. FINANCE COSTS

	2019	2018
	RMB'000	*RMB'000*
Interest on bank borrowings	**89,000**	48,445
Finance charges payable under other long-term liabilities and obligations under finance leases	**—**	56,190
Interest on lease liabilities	**14,141**	—
	103,141	104,635

8. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	2019	2018
	RMB'000	*RMB'000*
Cost of inventories sold	**8,621,952**	8,208,539
Reversal of write-down of inventories	**(15)**	(37,025)
Cost of services provided	**315,142**	329,767
Cost of sales recognised as expenses	**8,937,079**	8,501,281
Depreciation and amortisation:		
Depreciation of property, plant and equipment		
— Owned property, plant and equipment	**616,914**	709,564
— Right-of-use assets included		
— Buildings	**2,480**	—
— Plant and machinery	**53,493**	—
Amortisation of mining rights	**1,849**	2,150
Amortisation of prepaid lease payments	**15,377**	15,365
Amortisation of investment properties	**5,795**	6,030
Amortisation of intangible assets	**7,122**	10,561
	703,030	743,670
Auditors' remuneration	**3,107**	3,552
Employee benefit expense (including directors' and supervisors' remunerations):		
Wages and salaries	**785,143**	774,518
Defined contribution pension scheme	**100,791**	99,922
Early retirement benefits and post-employment allowances	**3,871**	1,109
Medical benefit costs	**50,456**	51,495
Housing fund	**60,898**	55,899

9. INCOME TAX EXPENSES

	2019	2018
	RMB'000	*RMB'000*
Current tax		
PRC Enterprise Income Tax	**341,767**	567,410
Deferred tax	**278,787**	29,481
	620,554	596,891
Under-provision in prior year	**3,541**	15,000
	624,095	611,891

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

(a) Enterprise Income Tax ("EIT")

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

(b) Hong Kong Profits Tax

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

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

	2019	2018
	RMB'000	*RMB'000*
Profit before income tax	**1,379,083**	2,140,181
Tax at the statutory tax rate of 25%	**344,771**	535,045
Income tax on concessionary rate	**(229)**	(584)
Under-provision in respect of prior year	**3,541**	15,000
Tax effect of share of losses/(profits) of joint ventures and associates	**1,586**	(254)
Tax effect of tax losses not recognised	**13,127**	21,867
Reversal of tax losses previously recognised	**243,960**	—
Tax effect of deductible temporary differences not recognised	**15,354**	37,531
Expenses not deductible for tax	**1,985**	3,286
Income tax expenses	**624,095**	611,891
The Group's effective income tax rate	**45%**	29%

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2019	2018
	RMB'000	*RMB'000*
Earnings		
Profits for the year attributable to owners of the Company	**703,217**	1,378,890

	Number of shares	
	2019	2018
	'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

	2019	2018
	RMB'000	*RMB'000*
Cost of investment in joint ventures	**265,299**	265,299
Share of post-acquisition profits and other comprehensive income, net of dividends received	**(37,380)**	(38,018)
	227,919	227,281

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 subsidiaries	**Place and date of incorporation and operation**	**Registered capital** *'000*		**Percentage of equity interest attributable to the Company** *%*	**Principal activities**
貴州錦麟化工有限責任公司 (transliterated as Guizhou Jinlin Chemical Co., Ltd.)	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. (中海化學(加拿大)控股公司)	Canada 28 May 2013	CAD24,000	Direct Indirect	60.00 —	Investment holding
海南八所港勞動服務有限公司 (transliterated as Hainan Basuo Port Labour Service Limited)	PRC 24 April 2005	RMB5,000	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:

	2019 *RMB'000*	2018 *RMB'000*
The Group's share of profit/(loss) and other comprehensive income	**638**	(2,195)
Aggregate carrying amount of the Group's investment in joint ventures	**227,919**	227,281

12. TRADE RECEIVABLES

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

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

	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**33,370**	42,119
Less: impairment loss	**(762)**	(762)
Net realisable value	**32,608**	41,357

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

	2019	2018
	RMB'000	*RMB'000*
Within six months	**32,608**	41,329
Over six months but within one year	**—**	28
	32,608	41,357

The expected credit losses ("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 (2018: RMB762,000).

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

	2019	2018
	RMB'000	*RMB'000*
Neither past due nor impaired	**32,608**	41,170
One to three months past due	**—**	187
	32,608	41,357

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.

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

	2019	2018
	RMB'000	*RMB'000*
Balance at beginning of the year	**762**	361
Impairment loss recognised during the year	**—**	401
Balance at end of the year	**762**	762

13. PROPOSED DIVIDENDS

	2019	2018
	RMB'000	*RMB'000*
Proposed dividends — RMB0.076 (2018: RMB0.15) per ordinary share	**350,360**	691,500

The proposed final dividend for the year ended 31 December 2018 was approved at the annual general meeting on 30 May 2019. The proposed final dividend for year ended 31 December 2019 is subject to the approval of the Company's shareholders at the forthcoming 2019 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 PAYABLES

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

	2019	2018
	RMB'000	*RMB'000*
Within six months	**671,056**	588,115
Over six months but within one year	**—**	19,944
Over one year but within two years	**11,822**	74,737
Over two years but within three years	**1,152**	3,149
Over three years	**4,441**	22,445
	688,471	708,390

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
海洋石油富島有限公司 (transliterated as CNOOC Fudao Limited)	PRC 31 December 2001	RMB477,400	Direct Indirect	100.00 —	Manufacture and sale of fertilisers
海南中海石油塑編有限公司 (transliterated as Hainan CNOOC Plastic Co., Ltd.)	PRC 28 April 2002	RMB12,716	Direct Indirect	100.00 —	Manufacture and sale of woven plastic bags
海南中海石油運輸服務有限公司 (transliterated as Hainan CNOOC Transportation Co., Ltd.)	PRC 22 October 2001	RMB6,250	Direct Indirect	— 73.11	Provision of transportation services
海南八所港務有限責任公司 (transliterated as Hainan Basuo Port Limited) ("Hainan Basuo Port")	PRC 25 April 2005	RMB514,034	Direct Indirect	73.11 —	Port operation
中海石油天野化工有限責任公司 (transliterated as CNOOC Tianye Chemical Limited) ("CNOOC Tianye")	PRC 18 December 2000	RMB2,272,856	Direct Indirect	92.27 —	Manufacture and sale of fertilisers and methanol
中海石油建滔化工有限公司 (transliterated as CNOOC Kingboard Chemical Limited) ("CNOOC Kingboard")	PRC 31 October 2003	RMB500,000	Direct Indirect	60.00 —	Manufacture and sale of methanol
海油富島(上海)化學有限公司 (transliterated as CNOOC Fudao (Shanghai) Chemical Limited)	PRC 7 January 2002	RMB27,000	Direct Indirect	— 100.00	Trading of fertilisers

Name of subsidiaries	Place and date of incorporation and operation	Registered capital *'000*		Percentage of equity interest attributable to the Company *%*	Principal activities
八所中理外輪理貨有限公司 (transliterated as China Basuo Ocean Shipping Tally Co., Ltd.)	PRC 9 May 2008	RMB300	Direct Indirect	— 61.41	Provision of overseas shipping services
中海油華鹿山西煤炭化工有限公司 (transliterated as CNOOC Hualu Shanxi Coal Chemical Co., Ltd)	PRC 29 November 2005	RMB61,224	Direct Indirect	51.00 —	Preparatory work for a methanol and, dimethyl ether project
湖北大峪口化工有限責任公司 (transliterated as Hubei Dayukou Chemical Limited) ("Hubei Dayukou")	PRC 12 August 2005	RMB1,103,127	Direct Indirect	79.98 —	Phosphate mining and processing manufacture and sale of MAP and DAP fertilisers
廣西富島農業生產資料有限公司 (transliterated as Guangxi Fudao Agricultural Means of Production Limited)	PRC 11 January 2003	RMB20,000	Direct Indirect	— 51.00	Trading of fertilisers and chemicals
中海石油華鶴煤化有限公司 (transliterated as CNOOC Huahe Coal Chemical Limited)	PRC 26 May 2006	RMB1,035,600	Direct Indirect	100.00 —	Manufacture and sale of fertilisers
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 subsidiaries	Proportion of ownership interest and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
	2019	2018	**2019**	2018	**2019**	2018
			RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
CNOOC Kingboard	**40.00%**	40.00%	**42,122**	160,082	**363,328**	483,293
Hainan Basuo Port	**26.89%**	26.89%	**16,257**	(15,225)	**196,924**	180,667
CNOOC Tianye	**7.73%**	7.73%	**(4,007)**	(350)	**36,950**	40,957
Hubei Dayukou	**20.02%**	20.02%	**(8,176)**	1,559	**209,187**	217,363

(III) MANAGEMENT DISCUSSION AND ANALYSIS

1. Sector Review

Chemical fertiliser industry

In 2019, the PRC government initiated to stabilise the grain production by making unremitting efforts and ensure the effective supply of important agricultural products based on the domestic market. Grain rice and wheat have been considered as must-keep varieties, meanwhile, the PRC government has also stabilised the corn production. In order to make sure the basic self-sufficiency of grain and the absolute safety of grain rations, constant efforts were made to implement the policies of minimum purchase price for grain rice and wheat as well as subsidy for corn producers. According to data from the National Bureau of Statistics of China, the total grain production of the PRC for 2019 was 663,840,000 tonnes, representing an increase of 0.9% compared to 2018.

Since January 1, 2019, the export tariff of NPK compound fertiliser in China has been adjusted from RMB100 per tonne by volume to zero, and since then, the export tariff of all fertiliser products has been adjusted to zero. The PRC government has lowered the value-added tax rate for chemical fertilisers from 10% to 9% since April 1, 2019.

(1) Urea

In 2019, Domestic urea production volume was approximately 53.00 million tonnes (in kind), slightly higher than that of 2018. In 2019, there was a significant increase in the exportation of urea from China. The PRC exported approximately 4.945 million tonnes of urea, representing an increase by 102.1% compared to that of last year.

The ascending trend of the overall domestic urea market since 2017 has been interrupted in 2019. For the annual urea price, it fell all the way in fluctuation after a temporary increase in March and April. In 2019, price fell compared to the same period of 2018, except for March to May, during which the domestic sales price of urea was higher compared to the same period of 2018. The year-on-year difference of domestic urea price has gradually expanded especially after August, with the highest spread having reached RMB500 per tonne. Driven by the factors of successful bidding in India and the shutdowns of gas-based enterprises in late November, there was finally a turnaround for the domestic urea market, and the price continued to rise until early December. Later, as the up-climbing price was affected by weak transactions, urea price started to go down again. From a global aspect, the international urea price has shown an increasing trend in the first half of 2019, however, it continued to decrease during the second half, and even dropped to the lowest price since 2018.

(2) Phosphate fertilisers

In 2019, the total domestic production volume of ammonium phosphate was approximately 28.75 million tonnes (in kind), representing a year-on-year decrease of approximately 13%. The international market was hit by the newly increased capacity in North Africa and Saudi Arabia, which has intensified the competition for exportation. As a result, the export volume of the PRC has recorded a decrease, with the annual export of DAP having reached 6.50 million tonnes, representing a year-on-year decline of 12%.

In 2019，the market price of DAP in the PRC turned negative after a favourable start. In the beginning of the year, since the market commenced in a high-price and the decreased domestic inventory caused by the incremental export volume, the arrival price for winter storage of DAP has risen to RMB3,000 per tonne. In the second quarter, due to the adjustments of planting structure and low produce prices, domestic demand decreased, while downstream customers had lower acceptance for the price, which resulted in the downturn of the price for DAP. In the third quarter, higher levels of inventories have been recorded in major importing countries such as India and Pakistan, which resulted in an intensified competition in the global market and a rapid decrease in export price of DAP. The market demand in autumn did not bring a stable domestic market, given that the price of Sulphur, the key raw material, has gone down, DAP has fallen significantly. For the fourth quarter, with the export coming to an end, it marked the beginning of domestic winter storage. The contradiction between the supply and demand has been eased, and the prices became steady.

Chemical industry

In 2019, the global market became more fluctuated. The downturn pressure in the global economy remained prominent, and the domestic commodity prices have decreased, which adversely affected the chemical industry.

The PRC government has lowered the value-added tax rates for various industries, such as manufacturing, from the existing 16% to 13%, effective from 1 April 2019. After the tax rate having been lowered, the ex-factory prices for industrial products, the duty-paid cost of imported goods after customs declaration and the buy-in cost for downstream enterprises have all gone down accordingly.

(1) Methanol

In 2019, the cumulative production volume throughout the year was 58.5733 million tonnes, representing an increase of 5.1% compared to the same period last year. The annual import volume was 10.8957 million tonnes, representing an increase by 46.6% compared to the same period last year.

With new increased production capacities globally becoming available in 2019, there was oversupply in the general methanol market, and the import volume has recorded a historical high. The growth in the demand from traditional industry chains has further decreased due to tightened domestic environmental friendly requirements, while the application of methanol-to-olefin still remained a higher growth. Under the impact of large imported volumes and high inventory levels at ports, the domestic price fluctuated in lower range with the price hub recording a significant decrease compared to that of 2018 was recorded.

In the first quarter, after a sheer price drop at the beginning of the year and a supply reduction in domestic facilities due to spring maintenance, the price rebounded at a low level, with the market price in South China ranging from RMB2,385 to RMB2,610 per tonne. In the second quarter, supplies eased and demands became under pressure, domestic prices dropped after a short rise with the market price in South China ranging from RMB2,260 to RMB2,540 per tonne. In the third quarter, the market has generally undergone adjustments to improve its tolerances against fluctuation and weakness. There were diversifications between inland markets and port markets. Driven by the demand for olefin, the inland markets were in a rather strong momentum, with the market price ranging from RMB1,980 to RMB2,310 in South China. For the fourth quarter, some of the newly established domestic and international methanol projects have put into operations. As a result, the import volume surged and the contradiction between supply and demand has been further worsen, which led to a decrease in market price, ranging from RMB1,910 to RMB2,340 in South China. Viewing from the price trend of the whole year, the price fluctuation in domestic methanol has relatively narrowed down, with the prices in South China fluctuating within RMB1,910–2,610 per tonne and the prices in Inner Mongolia fluctuating within RMB1,520–2,380 per tonne.

(2) POM

The production volume of POM in China was 250,200 tonnes for 2019, representing a year-on-year decrease of 15.2%. The imported POM amounted to 318,600 tonnes, representing a year-on-year decrease of 6.2%.

In 2019, the annual average price for POM was RMB12,496 per tonne, representing a decrease of a 19% on a year-on-year basis. The price continued on a downward trend during the first three quarters until it bounced in the fourth quarter. For the first quarter, it continued the favorable conditions since 2018, such as higher price level, limited imported sources and peak season for demands, and recorded the highest price for the year, i.e. RMB13,295 per tonne. The second quarter, however, is the off-season for the demand. There were low demands from the downstream and generally suffered from oversupply. The market price has dropped significantly to RMB12,782 per tonne on average. The situation has further deteriorated in the third quarter, with the average price dropped to the lowest point for the year, amounted to RMB11,852 per tonne. In the fourth quarter, the market has turned around from its lowest. As the downstream has gradually resumed their operations, the demand recorded an increase. The market price has rebounded slightly to RMB12,054 per tonne.

2. Business Review

Production Management

In 2019, the Company continued to strengthen the management of production and operation. CNOOC Fudao has successfully completed its first simultaneous scheduled overhaul of four plants; 6 plants of CNOOC Fudao and CNOOC Tianye kept long-term running for over 150 days; the sulfuric acid plant of DYK Chemical and the fertiliser plant of CNOOC Huahe have marked a new record high of their longest operation cycle. At the same time, the Company has successfully restarted the production of line C in its POM plant. Benefited from stable production and non-stop operations of facility after CNOOC Tianye has successful realized the swap of gases for winter. In 2019, annual output of the Company for urea was 2.560 million tonnes, representing an increase of 191 thousand tonnes compared to that of 2018, hitting a historical high. Output of phosphate fertilisers and compound fertilisers was 869 thousand tonnes, among which the output of compound fertilisers hit a record high, reaching 252 thousand tonnes. Output of methanol was 1.562 million tonnes, representing an increase of 39 thousand tonnes compared to that of 2018. Output of POM was 29 thousand tonnes.

Details of production of the Group's plants in 2019 are set out as follows:

	For the year ended 31 December			
	2019		2018	
	Production **(*tonnes*)**	**Utilisation** **rate (*%*)**	Production (*tonnes*)	Utilisation rate (*%*)
Chemical fertilisers				
Urea				
Fudao Phase I	**575,947**	**110.8**	468,786	90.2
Fudao Phase II	**846,967**	**105.9**	863,562	107.9
CNOOC Tianye	**496,327**	**95.4**	443,030	85.2
CNOOC Huahe	**641,230**	**123.3**	594,005	114.2
Group total	**2,560,472**	**108.5**	2,369,383	100.4
Phosphate Fertilisers and Compound Fertilisers				
DYK MAP	**57,461**	**38.3**	60,435	40.3
DYK DAP Phase I *(Note 1)*	**259,502**	**74.1**	282,452	80.7
DYK DAP Phase II	**551,695**	**110.3**	608,341	121.7
Group total	**868,658**	**86.9**	951,228	95.1
Chemical Products				
Methanol				
Hainan Phase I	**601,796**	**100.3**	574,175	95.7
Hainan Phase II	**814,362**	**101.8**	787,363	98.4
CNOOC Tianye	**145,396**	**72.7**	161,445	80.7
Group total	**1,561,554**	**97.6**	1,522,983	95.2
POM				
CNOOC Tianye POM *(Note 2)*	**28,942**	**96.5**	10,275	102.8
Group total	**28,942**	**96.5**	10,275	102.8

Note 1: In 2019, DYK DAP Phase I Plant produced 7,004 tonnes of DAP and 252,498 tonnes of compound fertilisers, respectively, amounting to 259,502 tonnes in total. 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.

Note 2: Line C of CNOOC Tianye POM Plant has resumed since the end of June 2019. Its production volume in 2019 was calculated from the date of resume only.

Sales Management

Facing the unfavorable market situation of declining prices of fertilisers and chemical products, the Company has fully exploited the overall planning strengths of its products and kept enhancing the cohesion between each other. The Company has also closely monitored the market trends and made timely adjustments to sales strategies. It has adopted a precise pricing system to achieve better selling prices. Guided by market demand, new value-added products were developed to expand the compound fertiliser market. In 2019, among the sales of our own products, the Company sold 2.601 million tonnes of urea, representing an increase of 11.8% compared to the same period last year, which hit a historical high for the same period; 1.529 million tonnes of methanol was sold, representing an increase of 5.4% compared to the same period last year; 876 thousand tonnes of phosphate fertilisers and compound fertilisers were sold, among which the sale volumes of compound fertilisers reached 252 thousand tonnes, demonstrating a record high for the same period; 29 thousand tonnes of POM was sold. The total annual export volumes of urea and DAP were 409 thousand tonnes and 18 thousand 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			
	2019		2018	
Sales region	**Volume *(tonnes)***	**Percentage *(%)***	Volume *(tonnes)*	Percentage *(%)*
North-eastern China	**734,245**	**28.2**	699,814	30.1
Northern China	**449,510**	**17.3**	455,326	19.6
Eastern China	**25,607**	**1.0**	36,253	1.6
South-eastern China	**148,851**	**5.7**	131,047	5.6
Southern China	**735,451**	**28.3**	749,087	32.2
Hainan	**98,027**	**3.8**	88,366	3.8
International	**409,060**	**15.7**	165,664	7.1
Total	**2,600,751**	**100.0**	2,325,557	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			
	2019		2018	
	Volume	**Percentage**	Volume	Percentage
Sales region	***(tonnes)***	***(%)***	*(tonnes)*	*(%)*
North-eastern China	**268,533**	**30.7**	229,023	25.0
Northern China	**403,159**	**46.0**	284,627	31.1
Eastern China	**57,164**	**6.5**	67,186	7.3
South-eastern China	**44,694**	**5.1**	55,456	6.1
Southern China	**84,503**	**9.6**	57,388	6.3
International	**17,958**	**2.1**	220,992	24.2
Total	**876,011**	**100.0**	914,672	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			
	2019		2018	
	Volume	**Percentage**	Volume	Percentage
Sales region	***(tonnes)***	***(%)***	*(tonnes)*	*(%)*
North-eastern China	**67,100**	**4.4**	87,083	6.0
Northern China	**51,377**	**3.4**	54,455	3.8
Eastern China	**162,173**	**10.6**	168,704	11.6
South-eastern China	**85,093**	**5.5**	37,709	2.6
Southern China	**1,053,349**	**68.9**	1,005,432	69.3
Hainan	**110,406**	**7.2**	97,835	6.7
International	**0**	**0**	0	0
Total	**1,529,498**	**100.0**	1,451,218	100.0

BB fertilisers

In 2019, the Group produced a total of 44,530 tonnes of BB fertilisers and achieved a sales volume of 45,065 tonnes.

Sea-land logistics services

In 2019, Basuo Port in Hainan completed a volume of throughput of 11.25 million tonnes.

3. Financial Review

Revenue

During the reporting period, the Group's revenue was RMB10,858.4 million, representing a decrease of RMB401.2 million, or 3.6%, from RMB11,259.6 million for the same period in 2018. The decrease was primarily attributable to the different levels of year-on-year decrease in the selling prices of methanol, urea and phosphate fertilisers and compound fertilisers of the Group.

During the reporting period, the Group's external revenue from urea was RMB4,424.0 million, representing an increase of RMB263.3 million, or 6.3%, from RMB4,160.7 million during the same period in 2018. The increase was primarily attributable to (1) an increase of 275,193 tonnes in the sales volume of urea, leading to an increase of RMB492.3 million in revenue; and (2) a decrease of RMB229.0 million in revenue resulted from a decrease of RMB88.1 per tonne in the selling price of urea, which partially offset the above increase.

During the reporting period, the Group's external revenue from phosphate fertilisers and compound fertilisers was RMB2,045.1 million, representing a decrease of RMB215.8 million, or 9.5%, from RMB2,260.9 million for the same period in 2018. The decrease was primarily attributable to (1) a decrease of RMB137.3 per tonne in the selling price of phosphate fertilisers and compound fertilisers, resulting in a decrease of RMB120.2 million in revenue; and (2) a total decrease of RMB95.6 million in revenue resulted from a decrease of 38,664 tonnes in the sales volume of phosphate fertilisers and compound fertilisers, which was due to a year-on-year decrease in sales volume of phosphate fertilisers notwithstanding an year-on-year increase in the sales volume of compound fertilisers.

During the reporting period, the Group's external revenue from methanol was RMB2,888.7 million, representing a decrease of RMB828.4 million, or 22.3%, from RMB3,717.1 million for the same period in 2018. The decrease was primarily attributable to (1) a decrease of RMB672.7 per tonne in the selling price of methanol, resulting in a decrease of RMB1,028.9 million in revenue; and (2) an increase of RMB200.5 million in revenue resulted from an increase of 78,280 tonnes in the sales volume of methanol, which partially offset the above decrease.

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 liquid ammonia) increased by RMB379.7 million, or 33.9%, to RMB1,500.6 million compared to RMB1,120.9 million during the same period in 2018, which was primarily attributable to (1) that the operation of line C of POM Plant resumed this year, and line A of POM Plant only had production for half year as it commenced operation in June 2018, resulting in a year-on-year increase in revenue of RMB128.1 million; (2) that trading volume of marketing companies and Guangxi Fudao increased with the gradual improvement of marketing platform, leading to an increase in revenue of RMB265.8 million in the trading segment for the current year compared to that for last year; (3) an increase in revenue of RMB18.2 million due to the increase in the volume of transportation at Basuo Port of 1.2 million tonnes; (4) a decrease in revenue of RMB13.8 million, primarily due to a decrease in the sales volume of BB fertilisers; and (5) a decrease of 18.6 million in revenue from selling liquid ammonia, formaldehyde, carbon dioxide and woven plastic bags.

Cost of sales

During the reporting period, the Group's cost of sales was RMB8,937.1 million, representing an increase of RMB435.8 million, or 5.1%, from RMB8,501.3 million in 2018.

During the reporting period, the Group's cost of sales for urea was RMB3,421.1 million, representing an increase of RMB274.1 million, or 8.7%, from RMB3,147.0 million in 2018. The increase was primarily due to (1) decreased production and sales affected by more frequent production halts due to major and minor repairment, facility failure and insufficient supply of natural gas, resulting in an increase of RMB362.0 million in cost for the significant year-on-year increase in sales volume this year; and (2) a year-on-year decrease of RMB87.9 million in cost of sales for the year, primarily due to an increase in the fees for the major repairment on plants 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 RMB1,837.2 million, representing a decrease of RMB163.2 million, or 8.2%, from RMB2,000.4 million in 2018. The decrease was mainly attributable to (1) a year-on-year decrease of RMB82.1 million in cost of sales resulted from a decrease in prices of raw materials for producing phosphate fertilisers and compound fertilisers, including ammonia and phosphoric acid; and (2) a decrease of RMB81.1 million in cost of sales resulted from a decrease in the sales volume of phosphate fertilisers and compound fertilisers by 38,664 tonnes.

The Group's cost of sales for methanol during the reporting period was RMB2,298.5 million, representing a decrease of RMB6.6 million, or 0.3%, from RMB2,305.1 million in 2018. The decrease was primarily attributable to (1) the significant increase in the repairment cost of Hainan Methanol Plant due to major repairment in 2018, which was saved this year, and the plant consumption, which was controlled at a normal level this year compared with the high cost consumption due to the impact of such overhauls last year, resulting in a decrease of RMB124.3 million in cost of sales; and (2) an increase of RMB117.7 million in cost of sales due to a significant increase in sales volume of methanol, which partially offset the above decrease.

The Group's cost of sales from other segments during the reporting period increased of RMB331.6 million, or 31.6%, from RMB1,048.7 million in 2018 to RMB1,380.3 million. The increase was primarily attributable to (1) the resumption of production of line C in POM Plant during the year and the full-year operation of line A, resulting in an increase of RMB103.4 million in cost of sales; (2) an increase in cost of trading businesses of RMB273.1 million; and (3) a year-on-year decrease of RMB44.9 million in the cost of sales of Basuo Labour Service, BB fertilisers and liquid ammonia, which partially offset the above increase.

Gross profit

The Group's gross profit during the reporting period was RMB1,921.4 million, representing a decrease of RMB836.9 million, or 30.3%, from RMB2,758.3 million in 2018. The decrease was primarily attributable to (1) a decrease of RMB821.7 million in gross profit for methanol due to the significant decrease in the selling price of methanol in 2019; (2) a decrease of RMB52.6 million in gross profit for phosphate fertilisers and compound fertilisers due to the impact of year-on-year decrease in the selling price of the fertilisers in 2019; (3) a year-on-year increase of RMB34.8 million in gross profit for Basuo Port due to the impact of increase in volume of transportation and year-on-year decrease in costs; (4) a year-on-year increase of RMB24.7 million in gross profit for POM due to increase in sales for the year and year-on-year decrease workshop expenses in early 2019; and (5) a decline of RMB22.1 million in gross profit of other business.

Other income

The Group's other income during the reporting period amounted to RMB200.6 million, representing an increase of RMB69.2 million, or 52.7%, from RMB131.4 million in 2018. The increase was primarily attributable to (1) the receipt of "Three Supplies and One Property" subsidies of RMB49.9 million in the year; (2) a year-on-year increase of RMB59.2 million in other government grants, such as grants for technology research and income from disposal of assets; and (3) a year-on-year decrease of RMB39.9 million in profit from other business, which partially offset the above increase.

Other gains and losses

The Group's other gains and losses during the reporting period was RMB52.6 million, representing a decrease of RMB250.7 million, or 82.7%, from RMB303.3 million in 2018. The decrease was primarily attributable to (1) that the major bank investment for the current period was time deposits which was different from the wealth management products of the same period last year; the interest on the wealth management products is presented under other gains and losses when it was received, while the interest on the time deposit is presented under finance income, which resulted in a year-on-year decrease of RMB274.4 million in other gains and losses; and (2) an increase in other gains and losses by RMB17.4 million due to a decrease in credit impairment losses compared to the same period last year, which partially offset the above decrease.

Selling and distribution expenses

The Group's selling and distribution expenses during the reporting period amounted to RMB440.9 million, representing an increase of RMB22.4 million, or 5.4%, from RMB418.5 million in 2018. The increase was primarily attributable to (1) a year-on-year increase of RMB20.2 million in direct selling expenses, including transportation, storage and exhibition costs, due to a general increase in sales volume for the year; and (2) a year-on-year increase of RMB2.2 million in staff costs.

Administrative expenses

The Group's administrative expenses during the reporting period amounted to RMB489.1 million, representing an increase of RMB33.5 million, or 7.4%, from RMB455.6 million in 2018. The increase was primarily attributable to (1) an increase of RMB25.0 million in staff costs; (2) an increase of RMB23.6 million in project management, technology research and consultation expenses due to increase in technology research projects this year; (3) a year-on-year decrease of RMB6.4 million in depreciation and amortisation due to the expiry of useful lives for depreciation of some of the long-term assets; and (4) a year-on-year decrease of RMB8.7 million in water, electricity and property management fees as well as taxes.

Other expenses

The Group's other expenses during the reporting period amounted to RMB30.3 million, representing a decrease of RMB131.3 million, or 81.3%, from RMB RMB161.6 million in 2018. The decrease was primarily attributable to (1) the absence of "Three Supplies and One Property" expenses this year compared to RMB127.5 million for the same period last year; and (2) decrease of RMB3.8 million in bank handling fees and interest of bills discounting, contribution expenses and fines.

Finance income and finance costs

The Group's finance income during the reporting period increased by RMB220.1 million, or 1965.2%, to RMB231.3 million from RMB11.2 million in 2018. The increase was primarily attributable to the increase of RMB209.9 million in finance income as the Group increased the principal of its certificate of deposits by RMB5,000.0 million.

The Group's finance costs during the reporting period amounted to RMB103.1 million, representing a decrease of RMB1.5 million, or 1.4%, from RMB104.6 million in 2018. The decrease was primarily attributable to a decrease in finance costs due to the decline in the size of finance leases.

Net exchange (losses)/gains

During the reporting period, the Group recorded a net exchange loss of RMB0.6 million, whereas a net exchange gain of RMB13.3 million was recorded for 2018, representing a difference of RMB13.9 million. This was primarily attributable to an exchange loss resulting from the foreign currency transactions of the Group.

Net gains/(losses) of associates and joint ventures

During the reporting period, the share of losses of associates and joint ventures by the Group was RMB6.3 million, representing a decrease of RMB7.3 million in the share of gains of associates and joint ventures from RMB1.0 million in 2018. The decrease was primarily attributable to (1) the recognition of a year-on-year increase of RMB3.1 million in the loss on investment in CBC (Canada) Holding Corp for the year; (2) the recognition of an increase of RMB3.4 million in the loss on investment in United Wealthfert Co., Ltd. (聯合惠農農資（北京）有限公司) for the year; and (3) the recognition of RMB1.2 million in the loss on investment in Shanxi Hualu Yangpoquan Coal Mining Co., Ltd. (山西華鹿陽坡泉煤礦有限公司) for the year in accordance with its latest statement.

Income tax expenses

The Group's income tax expenses during the reporting period was RMB624.1 million, representing an increase of RMB12.2 million from RMB611.9 million in 2018. This was primarily attributable to (1) a corresponding decrease in income tax expenses for the current period as the Group recorded a year-on-year decrease in profit before tax for the year; and (2) that affiliate companies including CNOOC Huahe, DYK and CNOOC Tianye reversed their deferred income tax expenses provided in the prior years in accordance with the estimates on their future profits.

Net profit for the year

The Group's net profit during the reporting period was RMB755.0 million, representing a decrease of RMB773.3 million from RMB1,528.3 million in 2018.

Dividends

The board of directors of the Company (the "**Board**") recommended the payment of final dividends of RMB350.4 million, or dividends of RMB0.076 per share for 2019. The proposed final dividends for 2019 will be subject to the approval of the shareholders of the Company at the 2019 annual general meeting.

Capital expenditure

During the reporting period, the Group's total capital expenditure for the year amounted to RMB349.2 million, of which preliminary project research expenses accounted for RMB4.3 million, mid- and downstream and related project expenses accounted for RMB5.2 million, base infrastructure projects accounted for RMB2.0 million, purchase of equipment and upgrade and improvement projects accounted for RMB309.6 million, energy saving and emission reduction projects accounted for RMB1.2 million, information technology projects accounted for RMB23.7 million, and electronic equipment purchase accounted for RMB3.2 million.

Major projects included (1) a gas turbine and upgrade and improvement project on gas exchange and denitrification for the department one of the base of Chemical Hainan, which accounted for RMB59.2 million; (2) conversion pipeline and lower gas collection pipeline replacement project for phase one of the methanol plant of Chemical Hainan, which accounted for RMB36.8 million; and (3) stripper (302C) upgrade and improvement project for phase two of the chemical fertiliser plant of Chemical Hainan, which accounted for RMB16.2 million.

Pledge of assets

During the reporting period, the Group pledged property, plant and equipment with value of RMB977.2 million as collateral to secure its interest-bearing bank borrowings.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit ranking and healthy capital structure in order to safeguard its normal production and operations and maximise shareholders' value. The Group manages its capital structure and makes timely adjustments in light of changes in economic conditions. To maintain or realign our capital structure, the Group may raise capital by way of new debts or issue of new shares. The gearing ratio of the Group as at 31 December 2019 (calculated as interest-bearing liabilities divided by the sum of total equity and interest-bearing liabilities) was 11.9%, representing a decrease of 0.4% compared to 12.3% as at 31 December 2018, which was primarily attributable to the decrease in the Company's capital by RMB10.5 million in the year and the decrease in its lease liabilities, obligations under finance leases and interest-bearing bank borrowings by RMB85.4 million.

Cash and cash equivalents

As at the beginning of 2019, the Group's cash and cash equivalents were RMB3,400.0 million. In 2019, the net cash inflow from operating activities was RMB1,142.6 million, the net cash outflow from investing activities was RMB2,689.6 million, the net cash outflow from financing activities was RMB1,030.2 million, and the increase of cash and cash equivalents caused by changes in exchange rates was RMB1.3 million. As at 31 December 2019, the Group's cash and cash equivalents were RMB824.1 million. The Group has sufficient working capital to meet the funding requirements for its day-to-day operation and future development.

Human resources and training

As at 31 December 2019, the Group had 4,745 employees. The aggregate of employees' wages and allowances for 2019 was approximately RMB719.1 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 2019, the Company held 4,831 training courses, and recorded a total of 114,372 enrolments and 398,764 training hours according to its annual training plan during the reporting period. The Company also held 1,991 training courses for workplace safety with a total of 34,660 enrolments and 170,466 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 6.6850 and 7.0884. 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 2019, the balance of the Group's deposit in US dollar was US$17.41 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 2.9% during the reporting period, and the consumer price index of the PRC did not have any significant effect on the Group's operating results for the year.

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 by using various funding options, including but not limited to bank loans and bonds.

As at 31 December 2019, based on the carrying values of borrowings as shown in the financial statements, the Group had borrowings of RMB518.0 million and financial leases with a principal in the amount of RMB1,069.0 million that would reach maturity within one year. The Group has sufficient capital and is not exposed to liquidity risk.

Subsequent events

Since the outbreak of the COVID-19 epidemic, various continuous prevention and control measures have been implemented in China, including the extension of the Chinese Lunar New Year holiday and restrictions on return to work. The production bases of the Group in China include a subsidiary located in Hubei Province. The local governmental authorities have postponed the resumption date to March 5, 2020. Although the production facilities of such subsidiary have been fully resumed since March 9, the temporary suspension of production before the resumption and shortage of production capacities have a short-term impact on the overall production level of the Group. With the cancellation of relevant epidemic prevention measures, the production and sales of the Group's base companies in China have gradually returned to normal scale.

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

The Group had no acquisition and disposition during the reporting period.

On 29 August 2019, 51% interests in CNOOC Hualu Shanxi Coal Chemical Co., Ltd. (中海油華鹿山西煤炭化工有限公司) and the creditors' rights of RMB61.5 million and 49% interests in Shanxi Hualu Yangpoquan Coal Mining Co., Ltd. (山西華鹿陽坡泉煤礦有限公司) were listed for transfer on China Beijing Equity Exchange. The listing-for-sales is currently in the process.

For further details, please refer to the announcement of the Company dated 28 August 2019.

4. Sector Outlook

Looking ahead to 2020, driven by the steady demand growth on grain, global demand on fertiliser from agriculture will increase steadily. The Chinese economy will keep growing in its pace, with the national requirements in basic stabilization in grain sown area and yield. The pressure in the supply and demand on fertilisers will further intensify the competition in the sector. The continued implementation of supply-side reform and enhanced environmental standards will also further promote the integration among the domestic fertilizer sector. The applications of ethanol-to-olefin and methanol fuel will still be the major driving forces for methanol sector, while the demand from the traditional downstream industry of methanol will remain stable. The POM market is likely to continue to be weak. COVID-19 epidemic will have certain impact on industry supply, demand and product transportation, etc.

5. Our Key Tasks in 2020

1. To persistently strengthen and enhance HSE and refined production management, in an effort to achieve safe and stable operation of each production unit;

2. To further implement cost-reduction, quality-improvement and efficiency-enhancement, and carry on various measures to lower the purchasing cost for raw materials and strictly control on the expenses;

3. To actively respond to the impact and uncertainty of the COVID-19 epidemic;

4. To continue to optimise the product structure and devote further efforts on research and development of new products in order to boost up the production and sales proportions of NPK and value-added fertilisers;

5. To continue to thoroughly reform the marketing system and promote the construction of e-commerce platform;

6. To seize the opportunity arising from the construction of Hainan Free Trade Port and promote the development of petrochemical wharf project; and

7. To devote more efforts on the research for the Company's development opportunities and promote the research progress of projects.

(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 2019 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 2019.

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"), except the deviation from Code Provision A.2.1 of the Corporate Governance Code.

During the period from 1 January 2019 to 24 December 2019, Mr. Xia Qinglong was the chairman of the Board and Mr. Wang Weimin was the chief executive officer/ general manager of the Company. The chairman of the Board is responsible to lead the effective operation of the Board, and the chief executive officer/general manager is responsible to manage the daily operation of the Group's business and reports to the Board in terms of the general operation of the Company. This complied with the requirement under Code Provision A.2.1 of the Corporate Governance Code that the roles of chairman and chief executive should be separate.

On 24 December 2019, Mr. Xia Qinglong resigned from the positions of the chairman of the Board and an executive Director, and Mr. Wang Weimin, an executive Director, was appointed by the Board to perform the duties and responsibilities of the chairman of the Board the until effective date of the appointment of the new chairman of the Board. In view of Mr. Wang Weimin's experience, personal profile and his roles in the Company, the Board considers it has no unfavorable impact on the business prospects and operational efficiency of the Company that Mr. Wang Weimin, in addition to acting as the general manager of the Company, acts as the chairman of the Board. The Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) there is sufficient check and balance in the Board as the decision to be made by the Board requires approval by at least a majority of the Directors and our Board has three independent non-executive Directors out of the six Directors, which is in compliance with the Listing Rules; (ii) Mr. Wang Weimin and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that they act for the benefit and in the best interest of the Company and make decisions for the Company accordingly; (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company; and (iv) the overall strategic and other key business, financial, and operational policies of the Company are made collectively after thorough discussion at both Board and senior management levels. The Company is looking for suitable candidates to fill the vacancy of the chairmanship in order to meet the requirements of Code Provision A.2.1 of the Corporate Governance Code.

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

In respect of the transactions of securities by our Directors and Supervisors, the Company has adopted a set of standard code on terms no less exacting than the required standards of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. The Board confirms that, having made specific enquiries with all directors and supervisors by the Company, during the reporting period ended 31 December 2019, 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 28 April 2020 to 28 May 2020 (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 27 April 2020.

Proposed Final Dividends and Closure of the Register of Members

The Board has recommended the payment of final dividends of RMB0.076 (tax included) per share for the year ended 31 December 2019 to shareholders of the Company whose names appear on the register of members of the Company on the proposed record date, 9 June 2020. The proposed final dividends for 2019 will be subject to the approval of shareholders of the Company at the 2019 annual general meeting to be held on 28 May 2020. 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 2020.

The register of members of the Company will be closed from 4 June 2019 to 9 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 3 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 2019, 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 2019 Annual Report will be available on the HKExnews and the Company's website in due course.

By Order of the Board
China BlueChemical Ltd.*
Wang Weimin
Executive Director, President

Beijing, the People's Republic of China, 27 March 2020

As at the date of this announcement, the executive Director of the Company is 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. Karen Lee Kit Ying, Mr. Eddie Lee Kwan Hung and Mr. Yu Changchun.

* *For identification purpose only.*