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 2020

FINANCIAL HIGHLIGHTS

1. Revenue amounted to RMB10,417 million

2. Gross profit amounted to RMB1,592 million

3. Profit attributable to owners of the Company amounted to RMB745 million

4. Basic earnings per share amounted to RMB0.16

5. Proposed final dividends amounted to RMB0.08 per share

(I) AUDITED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Notes	**2020** *RMB'000*	2019 *RMB'000*
Revenue	*4*	**10,417,493**	10,858,435
Cost of sales		**(8,825,812)**	(8,937,079)
Gross profit		**1,591,681**	1,921,356
Other income	*4*	**125,825**	200,603
Other gains and losses, net	*5*	**54,256**	52,588
Selling and distribution costs		**(441,079)**	(440,918)
Administrative expenses		**(432,558)**	(489,120)
Other expenses		**(28,367)**	(30,267)
Finance income	*6*	**272,632**	231,286
Finance costs	*7*	**(75,987)**	(103,141)
Change in fair value of financial assets at fair value through profit or loss		**—**	48,451
Impairment losses		**—**	(4,813)
Exchange losses, net		**(13,207)**	(598)
Share of losses of joint ventures		**(405)**	(3,120)
Share of profits/(losses) of associates		**824**	(3,224)
Profit before income tax	*8*	**1,053,615**	1,379,083
Income tax expenses	*9*	**(274,458)**	(624,095)
		779,157	754,988
Profit attributable to:			
Owners of the Company	*10*	**745,485**	703,217
Non-controlling interests		**33,672**	51,771
		779,157	754,988
Earnings per share attributable to owners of the Company			
— Basic for the year (RMB per share)	*10*	**0.16**	0.15

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020	2019
	RMB'000	*RMB'000*
Profit for the year	**779,157**	754,988
Other comprehensive income for the year, net of tax:		
Exchange differences arising on translation of foreign operations	**(1,703)**	625
Share of other comprehensive income of joint ventures	**(3,964)**	3,758
Share of other comprehensive income of associates	**(145)**	53
Other comprehensive income for the year, net of tax	**(5,812)**	4,436
Total comprehensive income for the year	**773,345**	759,424
Total comprehensive income attributable to:		
Owners of the Company	**739,673**	707,653
Non-controlling interests	**33,672**	51,771
	773,345	759,424

Details of the proposed dividends for the year are disclosed in Note 13.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		**6,532,764**	6,752,340
Mining rights		**131,862**	133,744
Prepaid lease payments		**546,770**	571,221
Investment properties		**93,500**	99,445
Intangible assets		**27,427**	28,574
Investment in joint ventures	*11*	**223,550**	227,919
Investment in associates		**35,019**	216,587
Financial asset at fair value through other comprehensive income		**600**	600
Deferred tax assets		**470,816**	504,140
		8,062,308	8,534,570
CURRENT ASSETS			
Inventories		**1,001,505**	1,110,767
Trade receivables	*12*	**25,082**	32,608
Bills receivable		**610,794**	333,354
Contract assets		**13,157**	58,233
Prepayments, deposits and other receivables		**426,519**	337,246
Financial assets at fair value through profit or loss		**—**	2,898,451
VAT recoverable		**234,980**	286,118
Pledged bank deposits		**7,350**	4,129
Time deposits with original maturity over three months		**7,400,000**	5,000,000
Cash and cash equivalents		**2,765,441**	824,096
		12,484,828	10,885,002
A disposal group and a non-current asset classified as held for sale	*16*	**200,632**	—
		12,685,460	10,885,002
TOTAL ASSETS		**20,747,768**	19,419,572
EQUITY			
CAPITAL AND RESERVES			
Issued capital		**4,610,000**	4,610,000
Reserves		**9,720,962**	9,350,089
Proposed dividends	*13*	**368,800**	350,360
Equity attributable to owners of the Company		**14,699,762**	14,310,449
Non-controlling interests		**928,375**	806,640
TOTAL EQUITY		**15,628,137**	15,117,089

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
LIABILITIES			
NON-CURRENT LIABILITIES			
Benefits liability		**31,274**	42,455
Interest-bearing bank borrowings		**10,000**	422,000
Lease liabilities		**21,636**	22,190
Deferred tax liabilities		**14,456**	19,382
Deferred revenue		**123,474**	130,126
Other long-term liabilities		**16,080**	29,880
		216,920	666,033
CURRENT LIABILITIES			
Interest-bearing bank borrowings		**1,940,971**	1,587,000
Trade payables	*14*	**740,413**	688,471
Contract liabilities		**677,766**	442,869
Other payables and accruals		**1,456,746**	876,619
Lease liabilities		**5,126**	4,527
Income tax payable		**79,174**	36,964
		4,900,196	3,636,450
Liabilities associated with assets classified as held for sale	*16*	**2,515**	—
		4,902,711	3,636,450
TOTAL LIABILITIES		**5,119,631**	4,302,483
TOTAL EQUITY AND LIABILITIES		**20,747,768**	19,419,572
NET CURRENT ASSETS		**7,782,749**	7,248,552
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,845,057**	15,783,122
NET ASSETS		**15,628,137**	15,117,089

(II) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

Amendments to IFRS 3	Definition of Business
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Conceptual Framework for Financial Reporting (Revised)	

The Group also elected to adopt the following amendment early:

Amendments to IFRS 16	COVID-19-Related Rent Concessions

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.

Conceptual Framework for Financial Reporting (Revised)

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- Increasing the prominence of stewardship in the objective of financial reporting, which is to provide information that is useful in making resource allocation decisions.

- Reinstating prudence, defined as the exercise of caution when making judgements under conditions of uncertainty, as a component of neutrality.

- Defining a reporting entity, which might be a legal entity or a portion of a legal entity.

- Revising the definition of an asset as a present economic resource controlled by the entity as a result of past events.

- Revising the definition of a liability as a present obligation of the entity to transfer an economic resource as a result of past events.

- Removing the probability threshold for recognition, and adding guidance on derecognition.

- Adding guidance on the information provided by different measurement bases, and explaining factors to consider when selecting a measurement basis.

- Stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where the relevance or faithful representation of the financial statements would be enhanced.

The Board did not make any changes that address challenges in classifying instruments with characteristics both liability and equity. That will be addressed through the IASB's standard-setting project on that topic. Other amendments to the Framework might be needed at the conclusion of that project.

Amendments to IFRS 16 — COVID-19-Related Rent Concessions

IFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the Covid-19 pandemic, by including an additional practical expedient in IFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of Covid-19 pandemic and only if all of the following criteria are satisfied:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of IFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Company remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Company is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

None of the above new or amended IFRSs has a material impact on the Group’s results and financial position for the current or prior period.

(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 9, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2[1]
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Annual Improvements to IFRS 2018–2020 cycle	Amendments to IFRS 1, First-time Adoption of International Financial Reporting Standards, IFRS 9, Financial Instruments, IFRS 16, Lease, IAS 41, Agriculture[2]
Amendments to IAS 16	Property, plant and Equipment: Proceed before Intended Use[2]
Amendments to IFRS 3	Reference to the Conceptual Framework[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[4]
IFRS 17	Insurance Contracts[4]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.
4 Effective for annual periods beginning on or after 1 January 2023
5 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

Amendments to IFRS 9, IFRS 7, IFRS 4 and IFRS 16 — Interest Rate Benchmark Reform — Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "Reform"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

The directors of the Group do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

Amendments to IAS 37 — Onerous Contracts — Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The directors of the Group do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

Annual Improvements to IFRS Standards 2018–2020

The annual improvements amends a number of standards, including:

- IFRS 1, First-time Adoption of International Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.

- IFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

- IFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- IAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The directors of the Group do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

Amendments to IAS 16 — Property, plant and equipment: Proceed before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The directors of the Group do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

Amendments to IFRS 3 — Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC-Int 21 Levies, the acquirer applies IFRIC-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The directors of the Group do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

Amendments to IAS 1 — Classification of Liabilities as Current or Non-current

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The directors of the Group do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

IFRS 17 — Insurance Contracts

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4, Insurance Contracts. The standard outlines a 'General Model', which is modified for insurance contracts with direct participation features, described as the 'Variable Fee Approach'. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

The directors of the Group do not anticipate that the application of this standard in the future will have an impact on the financial statements.

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

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

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, 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, other gains and losses, net, other expenses, share of results of associates and joint ventures, 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 2020						
Segment revenue:						
Sales to external customers	**4,055,126**	**2,331,577**	**2,105,007**	**1,925,783**	**—**	**10,417,493**
Inter-segment sales	**—**	**—**	**—**	**323,290**	**(323,290)**	**—**
Total	**4,055,126**	**2,331,577**	**2,105,007**	**2,249,073**	**(323,290)**	**10,417,493**
Segment profit/(loss) before income tax	**676,981**	**133,898**	**104,050**	**(71,060)**	**—**	**843,869**
Interest and unallocated income						**326,888**
Corporate and other unallocated expenses						**(104,354)**
Exchange losses, net						**(13,207)**
Share of losses of joint ventures						**(405)**
Share of profits of associates						**824**
Profit before income tax						**1,053,615**
As at 31 December 2020						
Total segment assets	**6,652,644**	**2,397,277**	**1,939,763**	**9,636,072**	**(808,605)**	**19,817,151**
Unallocated						**930,617**
Total assets						**20,747,768**
Total segment liabilities	**(2,168,336)**	**(369,956)**	**(1,094,525)**	**(2,247,174)**	**808,605**	**(5,071,386)**
Unallocated						**(48,245)**
Total liabilities						**(5,119,631)**
Other segment information:						
Depreciation and amortisation	**302,286**	**163,499**	**131,807**	**50,659**	**—**	**648,251**
Capital expenditure*	**261,373**	**117,934**	**38,219**	**36,913**	**—**	**454,439**

	Urea	Methanol	Phosphorus and compound fertiliser	Others	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*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

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

1 Inter-segment revenues are eliminated on consolidation.

2 Segment assets do not include deferred tax assets, financial asset at FVOCI and 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***

	2020	2019
	RMB'000	*RMB'000*
Sales to external customers:		
— PRC	**9,762,177**	10,208,733
— Others	**655,316**	649,702
	10,417,493	10,858,435

(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 2020 and 2019.

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:

	2020	2019
	RMB'000	*RMB'000*
Revenue		
Sale of goods, recognised at a point in time*	**10,018,754**	10,482,423
Render of services, recognised overtime*	**398,739**	376,012
	10,417,493	10,858,435
Other income		
Income from sale of other materials, recognised at a point in time*	**29,611**	43,022
Income from render of other services, recognised overtime*	**8,508**	7,661
Gross rental income	**5,743**	9,834
Government grants	**29,784**	104,250
Indemnities received	**2,980**	9,344
Sundry income	**49,199**	26,492
	125,825	200,603

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

5. OTHER GAINS AND LOSSES, NET

	2020	2019
	RMB'000	*RMB'000*
Gain on maturity of financial assets at FVTPL	**56,960**	45,641
Dividend income	**150**	—
Reversal of impairment loss on trade and other receivables	**—**	174
(Loss)/gain on disposal of property, plant and equipment	**(2,854)**	6,773
	54,256	52,588

6. FINANCE INCOME

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

7. FINANCE COSTS

	2020	2019
	RMB'000	*RMB'000*
Interest on bank borrowings	**74,611**	89,000
Interest on lease liabilities	**1,376**	14,141
	75,987	103,141

8. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	2020	2019
	RMB'000	*RMB'000*
Cost of inventories sold	**8,527,309**	8,621,952
Reversal of write-down of inventories	**(1,596)**	(15)
Cost of services provided	**300,099**	315,142
Cost of sales recognised as expenses	**8,825,812**	8,937,079
Depreciation and amortisation:		
Depreciation of property, plant and equipment		
— Owned property, plant and equipment	**616,832**	616,914
— Right-of-use assets included		
— Buildings	**2,030**	2,480
— Plant and machinery	**2,788**	53,493
Amortisation of mining rights	**1,882**	1,849
Amortisation of prepaid lease payments	**15,214**	15,377
Amortisation of investment properties	**5,945**	5,795
Amortisation of intangible assets	**3,560**	7,122
	648,251	703,030
Auditors' remuneration	**4,252**	3,107
Employee benefit expense (including directors' and supervisors' remunerations):		
Wages and salaries	**706,066**	785,143
Defined contribution pension scheme	**30,985**	100,791
Early retirement benefits and post-employment allowances	**761**	3,871
Medical benefit costs	**43,960**	50,456
Housing fund	**71,945**	60,898

9. INCOME TAX EXPENSES

	2020	2019
	RMB'000	*RMB'000*
Current tax		
PRC Enterprise Income Tax	**237,374**	341,767
Deferred tax	**30,707**	278,787
	268,081	620,554
Under-provision in prior year	**6,377**	3,541
	274,458	624,095

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:

	2020	2019
	RMB'000	*RMB'000*
Profit before income tax	**1,053,615**	1,379,083
Tax at the statutory tax rate of 25%	**263,404**	344,771
Income tax on concessionary rate	**(6,579)**	(229)
Under-provision in respect of prior year	**6,377**	3,541
Tax effect of share of (profits)/losses of joint ventures and associates	**(105)**	1,586
Tax effect of tax losses not recognised	**9,570**	13,127
Reversal of tax losses previously recognised	**—**	243,960
Tax effect of deductible temporary differences not recognised	**17,918**	15,354
Utilisation of deductible temporary differences not recognised	**(2,446)**	—
Income not taxable for tax	**(14,595)**	(990)
Expenses not deductible for tax	**914**	2,975
Income tax expenses	**274,458**	624,095
The Group's effective income tax rate	**26%**	45%

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2020	2019
	RMB'000	*RMB'000*
Earnings		
Profits for the year attributable to owners of the Company	**745,485**	703,217

	Number of shares	
	2020	2019
	'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

	2020	2019
	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	**(41,749)**	(37,380)
	223,550	227,919

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:

	2020 ***RMB'000***	2019 *RMB'000*
The Group's share of (loss)/profit and other comprehensive income	**(4,369)**	638
Aggregate carrying amount of the Group's investment in joint ventures	**223,550**	227,919

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.

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**25,844**	33,370
Less: impairment loss	**(762)**	(762)
Net realisable value	**25,082**	32,608

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:

	2020	2019
	RMB'000	*RMB'000*
Within six months	**24,992**	32,608
Over six months but within one year	**90**	—
	25,082	32,608

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 (2019: RMB762,000).

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

	2020	2019
	RMB'000	*RMB'000*
Neither past due nor impaired	**25,082**	32,608

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:

	2020	2019
	RMB'000	*RMB'000*
Balance at beginning and end of the year	**762**	762

As at 31 December 2020, the amount due from the ultimate holding company, its subsidiaries and associates (other than the ultimate holding company collectively referred to as the "CNOOC group companies"), associates and the Company's subsidiaries' non-controlling shareholders and the non-controlling shareholders' subsidiaries (the "Other Related Parties") included in the above balances, which are unsecured, non-interest-bearing and repayable on similar credit terms to those offered to the major customers of the Group, can be analysis as follow:

	2020	2019
	RMB'000	*RMB'000*
CNOOC group companies	**5,632**	1,700
Associates	**3,206**	1,650
Other Related Parties	**—**	114
	8,838	3,464

13. PROPOSED DIVIDENDS

	2020	2019
	RMB'000	*RMB'000*
Proposed dividends — RMB0.080 (2019: RMB0.076) per ordinary share	**368,800**	350,360

The proposed final dividend for the year ended 31 December 2019 was approved at the annual general meeting on 28 May 2020. Proposed final dividend for year ended 31 December 2020 is subject to the approval of the Company's shareholders at the forthcoming 2020 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:

	2020	2019
	RMB'000	*RMB'000*
Within six months	**721,388**	671,056
Over six months but within one year	**8,101**	—
Over one year but within two years	**7,018**	11,822
Over two years but within three years	**1,560**	1,152
Over three years	**2,346**	4,441
	740,413	688,471

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**		**Percentage of equity interest attributable to the Company**	**Principal activities**
		'000		*%*	
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

Name of subsidiaries	Place and date of incorporation and operation	Registered capital *'000*		Percentage of equity interest attributable to the Company *%*	Principal activities
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
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	Indirect Direct	— 51.00	Trading of fertilisers and chemicals

Name of subsidiaries	Place and date of incorporation and operation	Registered capital		Percentage of equity interest attributable to the Company	Principal activities
		'000		*%*	
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
中海油(海南)富島化工有限公司 (transliterated as CNOOC (Hainan) Fudao Chemical Limited) *(Note i)*	PRC 19 October 2020	RMB300,000	Direct Indirect	51.00 —	Manufacture and sale of acrylonitrile and methyl methacrylate
China BlueChemical (Hong Kong) Limited (中海化學(香港)有限公司)	Hong Kong 14 November 2013	HKD100	Direct Indirect	100.00 —	Trading of fertilisers

Note:

(i) The company is domestic limited liabilities company and was incorporated in the PRC on 19 October 2020 with paid up registered capital of RMB300,000,000.

(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	
	2020	2019	**2020**	2019	**2020**	2019
			RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
CNOOC Kingboard	**40.00%**	40.00%	**(3,020)**	42,122	**314,820**	363,328
Hainan Basuo Port	**26.89%**	26.89%	**14,540**	16,257	**198,019**	196,924
CNOOC Tianye	**7.73%**	7.73%	**(236)**	(4,007)	**36,714**	36,950
Hubei Dayukou	**20.02%**	20.02%	**7,725**	(8,176)	**216,912**	209,187

16. A DISPOSAL GROUP AND A NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

The Group entered into 2 equity transaction agreements dated on 18 June 2020 with Hequ Taiyang Coal Industry Co., Ltd. (the "**Purchaser**") to dispose (i) the Group's 51% equity interest in a subsidiary, CNOOC Hualu Shanxi Coal Chemical Co., Ltd. ("**CNOOC Hualu**"), which under other segment; and (ii) 49% equity interest in an associate, Shanxi Hualu Yangpoquan Coal Mining Co., Ltd. ("**Yangpoquan Coal**"), at considerations of RMB102,066,000 and RMB637,000,000 respectively. The Group received deposits of RMB739,066,000, which recognised under other payables and accruals, from the Purchaser on 31 December 2020. The Group was in view of that the equity transaction agreements have not yet been completed and they will provide necessary assistance and cooperation on procedures including the registration of the equity interests change and issuance of new business licenses so as to complete the disposal.

(a) The following assets and liabilities relating to a disposal group CNOOC Hualu were reclassified as held for sale in the consolidated statement of financial position.

	RMB'000
Assets classified as held for sale	
Cash and cash equivalents	4
Prepayments, deposits and other receivables	6,153
Inventories	48
Property, plant and equipment	3,293
Prepaid lease payments	9,237
	18,735
Liabilities associated with assets classified as held for sale	
Other payables and accruals	206
Deferred tax liabilities	2,309
	2,515

CNOOC Hualu incurred net profit of RMB28,364,000 (2019: RMB28,000) during the year ended 31 December 2020. The disposal of CNOOC Hualu did not constitute a discontinued operation as it does not represent a major line of business.

(b) The following non-current asset relating to Yangpoquan Coal was classified as asset held for sale in the consolidated statement of financial position.

	RMB'000
Assets classified as held for sale	
Investment in an associate	181,897

(III) MANAGEMENT DISCUSSION AND ANALYSIS

1. Sector Review

Chemical fertiliser industry

In 2020, the global economy suffered amid the COVID-19 pandemic. All countries attached greater importance to grain safety, which led to an upward trend in international grain prices. The PRC government proposed that ensuring grain safety is always the top priority for governing the national administration. Therefore, it is imperative to stand firm on the commitment to grain safety and safeguard the minimum area of arable land of 1.8 billion mu. Stability is the utmost objective of grain production, especially in policies, area and output. In addition, subsidies to grain farmers shall be kept stable and enhanced while further improving the policy on minimum grain purchase prices. According to data from the National Bureau of Statistics of China, the national total grain output in 2020 was 669.49 million tonnes, representing an increase of 0.9% as compared to 2019.

In 2020, China's chemical fertilisers market rallied from low levels and fluctuated in a rising trend during the year, and the fertiliser prices surged to the year-high in the fourth quarter.

(1) *Urea*

According to industry statistics, the domestic production volume of urea amounted to approximately 54.64 million tonnes (in kind) in 2020, which represented an increase by approximately 1.64 million tonnes over last year and the annual daily average output reached 149.7 thousand tonnes, with an average operation rate of approximately 68.78%. Meanwhile, the statistics from General Administration of Customs of the PRC ("GACC") showed that China exported a total of approximately 5.45 million tonnes of urea in 2020, representing an increase of approximately 10.2% over 2019.

In 2020, the urea market fluctuated in a wide range. Specifically, the market edged up at the beginning of first quarter but then reversed to tumble. The prices fluctuated in a downward trend and continued to slide through the second quarter reaching the bottom of RMB1,550 per tonne. Driven by the back-to-back tenders from India, urea prices experienced a significant advance since the third quarter. As the purchase tenders from India slowed down, the market experienced a decline in export volume in the fourth quarter. However, the domestic purchases for building inventory during off-seasons and gradual restoration in industrial demand provided new market support. The market continued its trajectory of steady and relatively strong growth, with prices rising to RMB1,860 per tonne.

(2) *Phosphate fertilisers*

According to industry statistics, the annual output of ammonium phosphate was approximately 26.58 million tonnes (in kind) in 2020, representing a decrease of approximately 7.5% over 2019. Meanwhile, the statistics from GACC showed that the export volume was 5.73 million tonnes in 2020, representing a decrease of 11.5% from 2019.

The sluggish performance of the phosphate fertilisers market in the late-2019 continued at the beginning of 2020 in light of the inventory accumulation of companies and price bottom-out. As a result of the COVID-19 pandemic, a majority of phosphate fertiliser producers in Hubei region suspended production and the logistics in Yunnan-Guizhou region suffered. The market was therefore in tight supply around the Chinese Spring Festival. Coupled with the growing demand during the spring farming, phosphate fertiliser prices remained on the rise. In particular, the price of DAP rose to approximately RMB2,500 per tonne. Although the market entered into the off-season in the second and third quarters when the domestic demand was weak, exports remained positive which supported the phosphate fertilisers market to grow steadily. In the fourth quarter, driven by the domestic purchase demand for winter storage, the phosphate fertilisers market remained relatively resilient. The price of DAP hit the year-high of RMB2,750 per tonne, which represented an increase by approximately RMB300 to RMB400 per tonne during the year.

Chemical industry

The chemical market in 2020 operated in two phases. In the first half of the year, the chemical industry experienced an extreme price volatility. Due to the COVID-19 pandemic, the prices of all bulk chemicals fell sharply. In the second half of the year, the prices of bulk chemicals generally went up in line with the recovery of the chemical industry. In addition, a vast number of refining-chemical integration projects commenced production successively, which caused a rapid growth in the supply of certain chemical products and, in turn, a profit downturn or shifting along the industry chain.

In terms of the prices of chemical products in 2020, due to the containment of the COVID-19 pandemic, the market prices of bulk commodities saw a gradual pick-up and resumed to grow.

(1) *Methanol*

According to industry statistics, the cumulative production volume of methanol was approximately 63.57 million tonnes of methanol in 2020, representing an increase of approximately 8.5% over 2019. China's import volume of methanol hit a record high once again in 2020. The annual import volume for the year increased by over 2.1 million tonnes or 19.4% compared with last year to approximately 13.01 million tonnes.

Undermined by the impacts of low oil prices, the COVID-19 pandemic and an influx of imported methanol, the overall methanol market in China was depressed and industry players faced a difficult business environment. In 2020, the methanol market operated in two phases. In the first half of the year, due to the COVID-19 pandemic, the market was suffered from high inventory levels at ports and severe imbalance between demand and supply. Under such circumstances, market prices were in unilateral downtrend, with prices in port markets plunged to a record low at approximately RMB1,380 per tonne in June. In the second half of the year, thanks to the effective control over COVID-19 pandemic in China, companies resumed work and production. As such, the contradiction between demand and supply was relieved. In the middle of the year, market prices began to bottom out from the trough and reached to the level around RMB2,550 per tonne at the end of the year while the market generally demonstrated a restorative growth trend.

(2) *POM*

According to industry statistics, China's output of POM stood at 291 thousand tonnes in 2020, representing a year-on-year increase of 16%. The import volume of POM amounted to 309 thousand tonnes, representing a year-on-year decrease of 3%.

In 2020, the annual average price of POM in China was RMB11,925 per tonne, representing a year-on-year decrease of 5%. Owing to the COVID-19 pandemic and delay in work resumption of downstream companies, the price showed a declining trend from January to April and reached the lowest level of the year at RMB10,600 per tonne in April. Under the situation where the pandemic was under control and the downstream companies gradually resumed production and work, the price started to ratchet up in May and recorded the year-high of RMB14,578 per tonne in December. As a comparison with 2019, the price from January to August remained below the price levels of 2019 and the price has outperformed that in 2019 since September.

2. Business Review

Production Management

In 2020, the Company continued to strengthen the management of production and operation. The Company's major production facilities achieved the best overall operation performance in the 20 years since the inception of the Company. As at 31 December 2020, both Hainan Phase II methanol plant and CNOOC Tianye synthetic ammonia plant broke their respective record highs in the longest operation period by operating for 437 consecutive days and 360 consecutive days, respectively. Further, Hainan Phase I methanol plant and Fudao Phase II urea plant achieved a long operation period of over 600 days, which broke the national record of the longest operation period for methanol and synthetic ammonia plants with natural gas as raw material. As a result, the Company again set a new record high in urea production volume in 2020 reaching 2.621 million tonnes, up by 61 thousand tonnes from 2019. The Company also recorded an increase in production volume of phosphate and compound fertilisers by 46 thousand tonnes compared with 2019 to 0.915 million tonnes. In particular, the production volume of compound fertilisers increased to an all-time high of 0.266 million tonnes. The production volume of methanol reached to 1.562 million tonnes, same with that of 2019, and the production volume of POM increased by 9 thousand tonnes compared with 2019 to 38 thousand tonnes.

Details of production of the Group's plants in 2020 are set out as follows:

	For the year ended 31 December			
	2020		2019	
	Production *(tonnes)*	**Utilisation rate** *(%)*	Production *(tonnes)*	Utilisation rate *(%)*
Chemical fertilisers				
Urea				
Fudao Phase I	**513,106**	**98.7**	575,947	110.8
Fudao Phase II	**903,261**	**112.9**	846,967	105.9
CNOOC Tianye	**557,344**	**107.2**	496,327	95.4
CNOOC Huahe	**646,948**	**124.4**	641,230	123.3
Group total	**2,620,659**	**111.0**	2,560,472	108.5
Phosphate Fertilisers and Compound Fertilisers				
DYK MAP	**56,830**	**37.9**	57,461	38.3
DYK DAP Phase I *(Note 1)*	**306,001**	**87.4**	259,502	74.1
DYK DAP Phase II	**552,186**	**110.4**	551,695	110.3
Group total	**915,017**	**91.5**	868,658	86.9
Chemical Products				
Methanol				
Hainan Phase I	**602,842**	**100.5**	601,796	100.3
Hainan Phase II	**849,460**	**106.2**	814,362	101.8
CNOOC Tianye	**109,901**	**55.0**	145,396	72.7
Group total	**1,562,203**	**97.6**	1,561,554	97.6
POM				
CNOOC Tianye POM *(Note 2)*	**37,594**	**94.0**	28,942	96.5
Group total	**37,594**	**94.0**	28,942	96.5

Note 1: In 2020, DYK DAP Phase I Plant produced 39,624 tonnes of DAP and 266,377 tonnes of compound fertilisers, respectively, amounting to 306,001 tonnes in total. 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.

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

Sales Management

In view of the lowering bulk product prices resulting from the COVID-19 pandemic and low oil prices, the Company took active steps to address the challenges. The Company fully exploited its strengths in product planning by enhancing export trade and increasing the proportion of direct sales. The Company stepped up in the construction of e-commerce and logistics platforms for trading self-produced products online, and introduced parameters such as China urea price index to carry out price fixing in a more scientific and accurate manner. Besides, the Company further optimised its product mix to solidify its brand name as a "creator of value-added fertilisers" and increase the contribution of value-added products to sales. In 2020, in terms of sales volume of the self-produced products, urea accounted for 2.567 million tonnes, representing a year-on-year decrease of 1.3%; methanol accounted for 1.54 million tonnes, representing a year-on-year decrease of 0.7%; phosphate fertilisers and compound fertilisers accounted for 0.983 million tonnes, representing a year-on-year increase of 12.3%, in which sales volume of compound fertilisers hit a year-on-year record high of 0.262 million tonnes; POM accounted for 38 thousand tonnes, representing a year-on-year increase of 31.0%. During the year, the Company exported a total of 0.249 million tonnes of urea, 0.114 million tonnes of DAP and 8 thousand tonnes of methanol.

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			
	2020		2019	
Sales region	**Volume**	**Percentage**	Volume	Percentage
	(tonnes)	***(%)***	*(tonnes)*	*(%)*
North-eastern China	**739,195**	**28.8**	734,245	28.2
Northern China	**514,335**	**20.0**	449,510	17.3
Eastern China	**26,573**	**1.0**	25,607	1.0
South-eastern China	**179,574**	**7.0**	148,851	5.7
Southern China	**763,201**	**29.8**	735,451	28.3
Hainan	**95,219**	**3.7**	98,027	3.8
International	**248,728**	**9.7**	409,060	15.7
Total	**2,566,825**	**100.0**	2,600,751	100.0

Phosphate Fertilisers and Compound Fertilisers

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

	For the year ended 31 December			
	2020		2019	
Sales region	**Volume** *(tonnes)*	**Percentage** *(%)*	Volume *(tonnes)*	Percentage *(%)*
North-eastern China	**285,178**	**29.0**	268,533	30.7
Northern China	**376,969**	**38.3**	403,159	46.0
Eastern China	**69,499**	**7.1**	57,164	6.5
South-eastern China	**56,571**	**5.7**	44,694	5.1
Southern China	**81,326**	**8.3**	84,503	9.6
International	**113,879**	**11.6**	17,958	2.1
Total	**983,422**	**100.0**	876,011	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			
	2020		2019	
Sales region	**Volume** *(tonnes)*	**Percentage** *(%)*	Volume *(tonnes)*	Percentage *(%)*
North-eastern China	**48,921**	**3.2**	67,100	4.4
Northern China	**35,773**	**2.3**	51,377	3.4
Eastern China	**178,217**	**11.5**	162,173	10.6
South-eastern China	**79,750**	**5.2**	85,093	5.5
Southern China	**1,077,683**	**70.0**	1,053,349	68.9
Hainan	**111,819**	**7.3**	110,406	7.2
International	**7,965**	**0.5**	0	0
Total	**1,540,128**	**100.0**	1,529,498	100.0

BB Fertilisers

In 2020, the Group produced a total of 45,363 tonnes of BB fertilisers and achieved a sales volume of 44,648 tonnes, among which 13,050 tonnes were exported.

Sea-land logistics services

In 2020, Basuo Port in Hainan completed a volume of throughput of 11.71 million tonnes.

3. Financial Review

Revenue

During the reporting period, the Group's revenue was RMB10,417.5 million, representing a decrease of RMB440.9 million, or 4.1%, from that of RMB10,858.4 million in the same period of 2019. This was primarily attributable to the different year-on-year decreases in the selling prices of methanol, urea and phosphate and compound fertilisers of the Group.

During the reporting period, the Group realised an external revenue from urea of RMB4,055.1 million, representing a decrease of RMB368.9 million, or 8.3%, from that of RMB4,424.0 million in the same period of 2019. This was primarily attributable to (1) a decrease of 33,925 tonnes in the sales volume of urea, which resulted in a decrease in revenue of RMB57.7 million; and (2) a decrease of RMB121.2 per tonne in the selling price of urea, which resulted in a decrease in revenue of RMB311.2 million.

During the reporting period, the Group realised an external revenue from phosphate and compound fertilisers of RMB2,105.0 million, representing an increase of RMB59.9 million, or 2.9%, from that of RMB2,045.1 million in the same period of 2019. This was primarily attributable to (1) a decrease of RMB194.1 per tonne in the selling price of phosphate and compound fertilisers, which resulted in a decrease in revenue of RMB190.9 million; and (2) an increase of 107,411 tonnes in the sales volume of phosphate and compound fertilisers, which resulted in an increase in revenue of RMB250.8 million and offset the above decrease.

During the reporting period, the Group realised an external revenue from methanol of RMB2,331.6 million, representing a decrease of RMB557.1 million, or 19.3%, from that of RMB2,888.7 million in the same period of 2019. This was primarily attributable to (1) a decrease of RMB374.8 per tonne in the selling price of methanol, which resulted in a decrease in revenue of RMB577.2 million; and (2) an increase of 10,630 tonnes in the sales volume of methanol, which resulted in an increase in revenue of RMB20.1 million and partially offset the above decrease.

During the reporting period, the Group realised an external revenue from other segments (primarily comprising port operations and provision of transportation services; trading in fertilisers and chemicals; and production and sales of POM, BB fertilisers and liquid ammonia) of RMB1,925.8 million, representing an increase of RMB425.2 million, or 28.3%, from that of RMB1,500.6 million in the same period of 2019. This was primarily attributable to (1) an increase of 8,653 tonnes in the production volume of POM this year as compared to 2019, which resulted in an increase in revenue of RMB67.3 million; (2) the increase in trading volume of the marketing company and Guangxi Fudao in line with the gradual improvement of the marketing platform, which resulted in an increase in revenue of RMB287.8 million from the trading business this year as compared to last year; (3) the throughput of Basuo Port, which resulted in an increase in revenue of RMB22.7 million; (4) a decrease of RMB7.0 million in the revenue from BB fertilisers which was mainly caused by the impacts of lower sales volume and prices; and (5) the sales of liquid ammonia, formaldehyde, carbon dioxide and woven plastic bags, which resulted in an increase in revenue of RMB54.4 million.

Cost of sales

During the reporting period, the Group's cost of sales was RMB8,825.8 million, representing a decrease of RMB111.3 million, or 1.2%, from that of RMB8,937.1 million in 2019.

During the reporting period, the Group's cost of sales for urea was RMB3,134.8 million, representing a decrease of RMB286.3 million, or 8.4%, from that of RMB3,421.1 million in 2019. This was primarily attributable to (1) a year-on-year decrease of 33,925 tonnes in the sales volume this year, which resulted in a decrease in cost of RMB41.4 million; (2) the increase in the production volume this year, mainly because of the long operation period of the production plants while the upstream production plants were suspended operation for overhaul last year; and also other factors such as the implementation of cost reduction and efficiency enhancement measures during the year, which resulted in a year-on-year decrease of RMB244.9 million in the cost of sales.

During the reporting period, the Group's cost of sales for phosphate and compound fertilisers was RMB1,833.2 million, representing a decrease of RMB4.0 million, or 0.2%, from that of RMB1,837.2 million in 2019. This was primarily attributable to (1) the decrease in prices of raw materials used for producing phosphate and compound fertilisers such as synthetic ammonia and phosphoric acid, which resulted in a year-on-year decrease of RMB204.2 million in the cost of sales; and (2) an increase of 107,411 tonnes in the sales volume of phosphate and compound fertilisers, which resulted in an increase of RMB200.2 million in the cost of sales.

During the reporting period, the Group's cost of sales for methanol was RMB2,119.6 million, representing a decrease of RMB178.9 million, or 7.8%, from that of RMB2,298.5 million in 2019. This was primarily attributable to (1) the increase in production volume due to the stable operation of the production plants for long operation periods during the year, as well as the slight reduction in natural gas prices, which resulted in a decrease of RMB193.5 million in the cost of sales; and (2) an increase of 10,630 tonnes in the sales volume of methanol, which resulted in an increase of RMB14.6 million in the cost of sales and partially offset the above decrease.

During the reporting period, the Group's cost of sales for other segments was RMB1,738.2 million, representing an increase of RMB357.9 million, or 25.9%, from that of RMB1,380.3 million in 2019. This was primarily attributable to (1) an increase of 9,027 tonnes in the sales volume of POM this year and the combined effect of cost reduction and other factors, which resulted in an increase of RMB31.8 million in the cost of sales; (2) an increase of RMB280.0 million in the cost of the trading business; and (3) a year-on-year increase of RMB46.1 million in the cost of sales for the services rendered by Basuo Labour Service, BB fertilisers and liquid ammonia.

Gross profit

During the reporting period, the Group's gross profit was RMB1,591.7 million, representing a decrease of RMB329.7 million, or 17.2%, from that of RMB1,921.4 million in 2019. This was primarily attributable to (1) the significant decrease in the selling price of methanol in 2020, which resulted in a decrease of RMB378.2 million in the gross profit from methanol; (2) the significant decrease in the price of urea in 2020, which resulted in a decrease of RMB82.6 million in the gross profit from urea; (3) an increase of RMB63.8 million in the gross profit from phosphate and compound fertilisers due to the increase in sales volume and the year-on-year decrease in cost; (4) a year-on-year increase of RMB37.9 million in the gross profit from Basuo Port due to the increase in throughput and the year-on-year decrease in cost; (5) a year-on-year increase of RMB35.5 million in gross profit from POM due to the increase in sales this year and the year-on-year decrease in costs and expenses; and (6) an increase of RMB6.1 million in the gross profit from other segments.

Other income

During the reporting period, the Group's other income was RMB125.8 million, representing a decrease of RMB74.8 million, or 37.3%, from that of RMB200.6 million in 2019. This was primarily attributable to (1) the receipt of subsidies of RMB49.9 million for "Three Supplies and One Property" (三供一業) last year; (2) a year-on-year decrease of RMB19.7 million in the receipts of other government grants, funding for technology research and gain on disposal of assets; and (3) a year-on-year decrease of RMB8.6 million in the profit from other segments.

Other gains and losses

During the reporting period, the Group's other gains and losses was RMB54.3 million, representing an increase of RMB1.7 million, or 3.2%, from RMB52.6 million in 2019. This was primarily attributable to (1) a year-on-year increase of RMB11.3 million in the interests from wealth management products; and (2) a year-on-year decrease of RMB9.6 million in the gain on disposal of fixed assets, which partially offset the above increase.

Selling and distribution expenses

During the reporting period, the Group's selling and distribution expenses amounted to RMB441.1 million, representing an increase of RMB0.2 million from that of RMB440.9 million in 2019. This was primarily attributable to (1) a year-on-year increase of RMB6.6 million in packaging, port surcharge and other direct selling expenses due to the overall increase in sales volume during the year; and (2) a year-on-year decrease of RMB6.4 million in sales agent fees.

Administrative expenses

During the reporting period, the Group's administrative expenses amounted to RMB432.6 million, representing a decrease of RMB56.5 million, or 11.6%, from that of RMB489.1 million in 2019. This was primarily attributable to (1) a decrease of RMB1.4 million in staff costs; (2) a year-on-year decrease of RMB11.5 million in office expenses, travelling expenses, meeting expenses and consultation fees as a result of the implementation of cost reduction and efficiency enhancement measures; (3) a year-on-year decrease of RMB3.2 million in amortisation charge due to the expiry of amortisation period of certain long-term assets; (4) a year-on-year decrease of RMB25.9 million in expenditures for technology research; and (5) a year-on-year decrease of RMB14.6 million in repair costs and taxes.

Other expenses

During the reporting period, the Group's other expenses amounted to RMB28.4 million, representing a decrease of RMB1.9 million, or 6.2%, from that of RMB30.3 million in 2019. This was primarily attributable to a decrease of RMB1.4 million in bank handling fees and interest expenses on discounting bills.

Finance income and finance costs

During the reporting period, the Group's finance income amounted to RMB272.6 million, representing an increase of RMB41.3 million, or 17.9%, from that of RMB231.3 million in 2019. This was primarily attributable to the addition of large-denomination certificate of deposits and fixed deposits with principal amount of RMB2,400.0 million by the Group in 2020, which resulted in an increase of RMB48.8 million in finance income.

During the reporting period, the Group's finance costs were RMB76.0 million, representing a decrease of RMB27.1 million, or 26.3%, from that of RMB103.1 million in 2019. This was primarily attributable to the scaling down of loans for fixed assets and finance leases, which resulted in a decrease in finance costs.

Net exchange (losses)/gains

During the reporting period, the Group recorded a net exchange loss of RMB13.2 million, as compared to a net exchange loss of RMB0.6 million in 2019, representing a difference of RMB12.6 million. This was primarily attributable to the exchange loss incurred by the Group's export business.

Share of net profit/loss of associates and joint ventures

During the reporting period, the Group's share of profit of associates and joint ventures was RMB0.4 million, representing an increase of RMB6.7 million as compared to the share of loss of associates and joint ventures of RMB6.3 million in 2019. This was primarily attributable to (1) a year-on-year increase of RMB3.0 million in the share of profit of CBC (Canada) Holding Corp. recognised during the year; (2) an increase of RMB2.8 million in the share of profit of United Wealthfert Co., Ltd. (聯合惠農農資(北京)有限公司) recognised during the year; (3) the recognition of share of profit of Shanxi Hualu Yangpoquan Coal Mining Co., Ltd. (山西華鹿陽坡泉煤礦有限公司) of RMB1.2 million this year according to its latest statements.

Income tax expenses

During the reporting period, the Group's income tax expenses was RMB274.5 million, representing a decrease of RMB349.6 million from that of RMB624.1 million in 2019. 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) the decrease in reversal of deferred income tax expenses provided by subordinate companies such as CNOOC Huahe, DYK Chemical and CNOOC Tianye in prior years.

Net profit for the year

During the reporting period, the Group's net profit was RMB779.2 million, representing an increase of RMB24.2 million as compared to that of RMB755.0 million in 2019.

Dividends

The board of directors of the Company (the "**Board**") recommended the payment of a final dividends for 2020 in the amount of RMB368.8 million, or RMB0.08 per share. The proposed final dividends for 2020 will be subject to the approval of the shareholders of the Company at the 2020 annual general meeting.

Capital expenditure

During the reporting period, the Group's total capital expenditure for the year amounted to RMB437.4 million, including RMB1.5 million for preliminary project research, RMB131.8 million for mid- and downstream and their related projects, RMB2.6 million for base infrastructure projects, RMB155.9 million for purchase of equipment and upgrade and improvement projects, RMB79.1 million for energy saving and emission reduction projects, RMB9.3 million for information technology projects, RMB2.7 million for purchase of electronic equipment, RMB52.2 million for technology research projects, and RMB2.3 million for charitable projects.

Major projects mainly included (1) the acrylonitrile project, for which the Company has paid up the contribution to the joint venture in the amount of RMB121.3 million; (2) the stripper (302C) upgrade and improvement project for Fudao Phase II urea plant in the amount of RMB28.5 million; (3) the conversion pipeline and lower gas collection pipeline replacement project for Hainan Phase I methanol plant in the amount of RMB20.1 million.

Pledge of assets

During the reporting period, the Group pledged property, plant and equipment with value of RMB901.2 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 2020 (calculated as interest-bearing liabilities divided by the sum of total equity and interest-bearing liabilities) was 11.2%, representing a decrease of 0.7% compared to 11.9% as at 31 December 2019, which was primarily attributable to the increase in the Company's capital by RMB511.0 million in the year and the decrease in its lease liabilities, obligations under finance leases and interest-bearing bank borrowings by RMB58.0 million.

Cash and cash equivalents

At the beginning of 2020, the Group had cash and cash equivalents of RMB824.1 million. In 2020, the net cash inflow from operating activities was RMB1,263.2 million, the net cash inflow from investing activities was RMB1,111.1 million, the net cash outflow from financing activities was RMB415.9 million, and the decrease from the effect of foreign exchange rate changes on cash and cash equivalents was RMB17.1 million. As at 31 December 2020, the Group's cash and cash equivalents were RMB2,765.5 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 2020, the Group had 4,719 employees. The aggregate of employees' wages and allowances for 2020 was approximately RMB714.6 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 2020, the Company strictly implemented its annual training plan during the reporting period and recorded a total of 89,033 enrolments with a total of 339,300 training hours. The Company also organised 6,681 courses on safety training (on-site safety education and three-level safety training including contractors), Internet safety training and external training with a total of 98,219 enrolments and 461,599 training hours.

Market risk

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

Commodity price risk

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

Interest rate risk

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

Foreign exchange risk

The Group's revenue is primarily denominated in RMB, secondarily in United States dollar (USD). The Group's purchases of equipment and materials are primarily denominated in RMB, secondarily in USD. During the reporting period, the RMB to USD exchange rate ranged between 6.5236 and 7.1316. Fluctuations in RMB to USD exchange rate have impacts on the Company's import of equipment and raw materials, export of products as well as the financing activities in USD.

As at 31 December 2020, the balance of the Group's deposits in USD was US$4.3 million.

Inflation and currency risk

According to data of National Bureau of Statistics of China, the consumer price index of the PRC increased by 2.5% during the reporting period, which did not have any significant impact on the Group's operating results for the year.

Liquidity risk

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

As at 31 December 2020, based on the carrying values of borrowings as shown in the financial statements, the Group's borrowings in the amount of RMB1,063.1 million and financial leases with a principal in the amount of RMB877.9 million would reach maturity within one year. The Group has sufficient capital and is not exposed to liquidity risk.

Subsequent events

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

Contingent liabilities

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

Material litigation and arbitration

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

Material acquisitions and disposals of subsidiaries and associates of the Company

In respect of the transfer of the 51% equity interest and the creditor's right of RMB61.47502275 million 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 49% equity interests in Shanxi Hualu Yangpoquan Coal Mining Co., Ltd. (山西華鹿陽坡泉煤礦有限公司) through listing-for-sales, in June 2020, the Company entered into two equity transaction agreements (the "Equity Transaction Agreements") with Hequ Taiyang Coal Industry Co., Ltd. (河曲縣泰陽煤業有限公司) ("Taiyang Coal"), a qualified interested transferee as for the transfer conditions through the listing-for-sales. In January 2021, the equity transaction certificate was issued by China Beijing Equity Exchange in respect of the above transfer through listing-for-sales, and Taiyang Coal has made the payment of all the consideration under the Equity Transaction Agreements and the liquidated damages for Taiyang Coal's default payment of consideration.

4. Sector Outlook

Looking forward to 2021, China is set to continue to regain its economic growth and a gradual recovery of the global economy is on the horizon. The world's steadily increasing demand for grains will progressively promote a greater demand for fertilisers of the agricultural industry. As the COVID-19 pandemic are on the trajectory of gradual containment, it is expected to see a further restoration of market demand and sales prices for Company's products. The domestic fertilisers market will remain cautiously optimistic and the intensifying market competition and stricter environmental standards will further promote domestic fertiliser market integration. As China's methanol-to-olefins industry will maintain a higher operation rate and the demand in the traditional downstream methanol industry will resume, the market expects the methanol prices to resume rational in general, with a further recovery in the price median. The prices of POM are expected to fluctuate around the levels of the end of 2020.

5. Our Key Tasks in 2021

1. To further strengthen and enhance our HSE and refined production management amid the impacts and uncertainties of the COVID-19 pandemic, in an effort to achieve safe and stable operation of all production facilities;

2. To further implement cost reduction, quality improvement and efficiency enhancement, and carry out various measures to lower the procurement cost of raw materials and exercise strict control over expenses and outgoings;

3. To make all-out efforts to promote the construction of acrylonitrile projects and prepare their commencement of production;

4. To actively promote the implementation of Company's action plan for achieving carbon emissions peak and carbon neutrality;

5. To take proactive approach towards adapting to the new and upgraded consumption needs in the domestic fertilisers market and expedite the development of organic fertilisers business;

6. To further deepen the reform of our marketing system by fully focusing on profit realisation and creating new sales models through digital means;

7. To seize the opportunities arising from the construction of Hainan Free Trade Port and push forward the development of the petrochemical wharf project;

8. To promote the study on the technology of reusing natural gas resources with high content of CO_2 and its industrialisation; and

9. To increase efforts in exploring opportunities for corporate development and accelerate the study on key 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 2020 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 2020.

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 followings.

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 until the 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 that 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 CEO and president of the Company, acts as the chairman of the Board. The Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) there is sufficient check and balance in the Board as the decision to be made by the Board requires approval by at least a majority of the Directors and the then Board had 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.

On 28 May 2020, Mr. Wang Weimin was appointed as the chairman of the Board and resigned as CEO and president of the Company. On 12 August 2020, Mr. Hou Xiaofeng was appointed as CEO and president of the Company. Currently, the Company complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

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 2020, 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 27 April 2021 to 27 May 2021 (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 26 April 2021.

Proposed Final Dividends and Closure of the Register of Members

The Board has recommended the payment of final dividends of RMB0.08 (tax included) per share for the year ended 31 December 2020 to shareholders of the Company whose names appear on the register of members of the Company on the proposed record date, 8 June 2021. The proposed final dividends for 2020 will be subject to the approval of shareholders of the Company at the 2020 annual general meeting to be held on 27 May 2021. 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 2021.

The register of members of the Company will be closed from 3 June 2021 to 8 June 2021 (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 2 June 2021.

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 2020, 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 2020 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
Chairman

Beijing, the People's Republic of China, 26 March 2021

As at the date of this announcement, the executive Directors of the Company are Mr. Wang Weimin and Mr. Hou Xiaofeng, the non-executive Directors of the Company are Mr. Guo Xinjun and Mr. Liu Zhenyu, 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.*