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(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 3983)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

1. Revenue amounted to RMB14,279 million
2. Gross profit amounted to RMB2,537 million
3. Profit attributable to owners of the Company amounted to RMB1,643 million
4. Basic earnings per share amounted to RMB0.36
5. Proposed final dividends amounted to RMB0.178 per share

(I) AUDITED CONSOLIDATED FINANCIAL STATEMENTS**CONSOLIDATED STATEMENT OF PROFIT OR LOSS***For the year ended 31 December 2022*

		2022	2021
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	14,279,054	13,398,008
Cost of sales		<u>(11,742,407)</u>	<u>(10,461,599)</u>
Gross profit		2,536,647	2,936,409
Other income	4	76,656	109,982
Other gains and losses, net	5	74,218	(3,587)
Selling and distribution costs		(113,843)	(118,507)
Administrative expenses		(551,493)	(542,300)
Other expenses		(47,396)	(358,862)
Change in fair value of financial assets at fair value through profit or loss		11,450	6,122
Finance income	6	314,822	372,708
Finance costs	7	(29,394)	(50,559)
Impairment losses	8	(15,688)	(304,326)
Exchange gains, net		9,360	363
Gain on disposal of a subsidiary		–	68,707
Gain on disposal of an associate		–	455,103
Gain on deemed disposal of a joint venture		–	67,036
Share of profits of joint ventures		2,712	717
Share of profits of associates		2,718	2,600
Profit before income tax	8	2,270,769	2,641,606
Income tax expenses	9	(472,037)	(1,000,171)
		<u>1,798,732</u>	<u>1,641,435</u>
Profit attributable to:			
Owners of the Company	10	1,642,578	1,497,598
Non-controlling interests		156,154	143,837
		<u>1,798,732</u>	<u>1,641,435</u>
Earnings per share attributable to owners of the Company			
– Basic for the year (<i>RMB per share</i>)	10	<u>0.36</u>	<u>0.32</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Profit for the year	<u>1,798,732</u>	<u>1,641,435</u>
Other comprehensive income for the year, net of tax:		
Exchange differences on translation of foreign operations	184	(246)
Remeasurement loss on benefits liability	(11,968)	—
Share of other comprehensive income of joint ventures	3,591	(1,161)
Share of other comprehensive income of associates	<u>204</u>	<u>(52)</u>
Other comprehensive income for the year, net of tax	<u>(7,989)</u>	<u>(1,459)</u>
Total comprehensive income for the year	<u><u>1,790,743</u></u>	<u><u>1,639,976</u></u>
Total comprehensive income attributable to:		
Owners of the Company	1,634,589	1,496,139
Non-controlling interests	<u>156,154</u>	<u>143,837</u>
	<u><u>1,790,743</u></u>	<u><u>1,639,976</u></u>

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	<i>Notes</i>	2022 RMB'000	2021 RMB'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		7,037,734	6,742,510
Mining rights		129,176	130,279
Prepaid lease payments		359,510	533,210
Investment properties		65,194	86,196
Intangible assets		32,856	39,840
Investment in joint ventures	11	295,244	289,524
Investment in associates		34,423	34,424
Financial asset at fair value through other comprehensive income		600	600
Deferred tax assets		53,356	37,517
Other long-term prepayment for property, plant and equipment		4,810	75,867
		<u>8,012,903</u>	<u>7,969,967</u>
CURRENT ASSETS			
Inventories		1,189,994	1,231,545
Trade receivables	12	284,584	35,409
Bills receivable		136,817	176,853
Contract assets		11,612	7,259
Prepayments, deposits and other receivables		588,240	332,375
Financial assets at fair value through profit or loss		3,617,572	2,756,122
VAT recoverable		164,006	434,380
Pledged bank deposits		4,203	13,219
Time deposits with original maturity over three months		8,400,000	7,800,000
Cash and cash equivalents		528,777	674,449
		<u>14,925,805</u>	<u>13,461,611</u>
A disposal group classified as held for sale	16	558,951	—
		<u>15,484,756</u>	<u>13,461,611</u>
TOTAL ASSETS		<u>23,497,659</u>	<u>21,431,578</u>
EQUITY			
CAPITAL AND RESERVES			
Issued capital		4,610,000	4,610,000
Reserves		11,316,560	10,502,551
Proposed dividends	13	820,580	714,550
		<u>16,747,140</u>	<u>15,827,101</u>
Equity attributable to owners of the Company		16,747,140	15,827,101
Non-controlling interests		1,029,450	1,087,573
		<u>17,776,590</u>	<u>16,914,674</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*At 31 December 2022*

	<i>Notes</i>	2022 RMB'000	2021 <i>RMB'000</i>
LIABILITIES			
NON-CURRENT LIABILITIES			
Benefits liability		294,377	6,059
Interest-bearing bank and other borrowings		1,185,762	571,991
Lease liabilities		6,458	17,120
Deferred tax liabilities		14,217	27,331
Deferred revenue		112,000	125,804
Other long-term liabilities		5,736	326,560
		1,618,550	1,074,865
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		869,149	447,750
Trade payables	<i>14</i>	1,346,483	1,335,288
Contract liabilities		782,618	811,122
Other payables and accruals		628,066	667,949
Lease liabilities		16,986	8,695
Income tax payable		125,555	171,235
		3,768,857	3,442,039
Liabilities associated with a disposal group classified as held for sale	<i>16</i>	333,662	—
		4,102,519	3,442,039
TOTAL LIABILITIES		5,721,069	4,516,904
TOTAL EQUITY AND LIABILITIES		23,497,659	21,431,578
NET CURRENT ASSETS		11,382,237	10,019,572
TOTAL ASSETS LESS CURRENT LIABILITIES		19,395,140	17,989,539
NET ASSETS		17,776,590	16,914,674

(II) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION

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

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

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

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

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

2. ADOPTION OF 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 2022:

Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual Improvements to 2018-2020 cycle
Amendments to IAS 16	Proceed before Intended Use
Amendments to IFRS 3	Reference to the Conceptual Framework

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.

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts ¹
Amendments to IAS 8	Definition of Accounting Estimates ¹
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to IAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction ¹
Amendments to IFRS 16	Lease liability in a Sale and Leaseback ²
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ²
Amendments to IAS 1	Non-current liabilities with Covenants ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2024

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

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

3. OPERATING SEGMENT INFORMATION

Information reported to the Chief Executive Officer, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on types of goods and services delivered or produced. The measure reported for resources allocation and segment's performance assessment is the same as last annual financial statements. Hence, the Group has reportable operating segments as follows:

- (a) the urea segment is engaged in the manufacture and sale of urea;
- (b) the phosphorus and compound fertiliser segment is engaged in the manufacture and sale of phosphorus fertilisers which include MAP and DAP and compound fertilisers;
- (c) the methanol segment is engaged in the manufacture and sale of methanol; and
- (d) the "others" segment mainly comprises segments engaged in port operations and provision of transportation services; trading of fertilisers and chemicals; manufacture and sale of Bulk Blending ("BB") fertiliser, POM 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 gains, other gains and losses, net, other expenses, share of results of associates and joint ventures, gains on disposal of a subsidiary and an associate, gain on deemed disposal of a joint venture, 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 <i>RMB'000</i>	Methanol <i>RMB'000</i>	Phosphorus and compound fertiliser <i>RMB'000</i>	Others <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2022						
Segment revenue:						
Sales to external customers	4,968,600	3,511,267	3,267,883	2,531,304	–	14,279,054
Inter-segment sales	–	–	–	170,729	(170,729)	–
Total	<u>4,968,600</u>	<u>3,511,267</u>	<u>3,267,883</u>	<u>2,702,033</u>	<u>(170,729)</u>	<u>14,279,054</u>
Segment profit/(loss) before income tax	<u>841,482</u>	<u>1,103,042</u>	<u>123,100</u>	<u>(119,657)</u>	<u>–</u>	<u>1,947,967</u>
Interest and unallocated income						400,490
Corporate and other unallocated expenses						(92,478)
Exchange gains, net						9,360
Share of profits of joint ventures						2,712
Share of profits of associates						<u>2,718</u>
Profit before income tax						<u>2,270,769</u>
As at 31 December 2022						
Total segment assets	3,558,691	1,887,482	1,848,073	15,895,353	(634,514)	22,555,085
Unallocated						<u>942,574</u>
Total assets						<u>23,497,659</u>
Total segment liabilities	1,135,824	470,343	810,390	3,296,770	(634,514)	5,078,813
Unallocated						<u>642,256</u>
Total liabilities						<u>5,721,069</u>
Other segment information:						
Depreciation and amortisation	287,418	72,939	138,127	68,343	–	566,827
Impairment loss of investment properties	–	–	15,688	–	–	15,688
Capital expenditure*	<u>134,562</u>	<u>45,397</u>	<u>62,250</u>	<u>969,680</u>	<u>–</u>	<u>1,211,889</u>

	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 2021						
Segment revenue:						
Sales to external customers	4,352,870	3,213,056	2,814,900	3,017,182	–	13,398,008
Inter-segment sales	–	–	–	140,019	(140,019)	–
Total	4,352,870	3,213,056	2,814,900	3,157,201	(140,019)	13,398,008
Segment profit/(loss) before income tax	1,020,731	1,056,594	322,411	(14,152)	–	2,385,584
Interest and unallocated income						375,243
Corporate and other unallocated expenses						(713,747)
Exchange gains, net						363
Share of profits of joint ventures						717
Share of profits of associates						2,600
Gain on deemed disposal of a joint venture						67,036
Gain on disposal of a subsidiary						68,707
Gain on disposal of an associate						455,103
Profit before income tax						2,641,606
As at 31 December 2021						
Total segment assets	4,562,104	2,265,553	1,909,417	12,698,582	(366,143)	21,069,513
Unallocated						362,065
Total assets						21,431,578
Total segment liabilities	318,034	369,160	790,947	3,371,516	(366,143)	4,483,514
Unallocated						33,390
Total liabilities						4,516,904
Other segment information:						
Depreciation and amortisation	295,731	78,411	127,818	55,779	–	557,739
Impairment loss of property, plant and equipment	264,444	36,259	–	–	–	300,703
Impairment loss of investment properties	–	–	1,867	–	–	1,867
Capital expenditure*	165,900	66,246	85,794	989,424	–	1,307,364

- * 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 a disposal group classified as held for sale, deferred tax assets, financial asset at FVOCI and investments in joint ventures and associates.
- 3 Segment liabilities do not include liabilities associated with a disposal group classified as held for sale, deferred tax liabilities and benefits liability.

Geographic information

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

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Sales to external customers:		
– PRC	13,844,634	12,181,247
– Others	434,420	1,216,761
	<u>14,279,054</u>	<u>13,398,008</u>

(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 2022 and 2021.

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:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue		
Sale of goods, recognised at a point in time*	13,925,441	13,021,629
Render of services, recognised overtime*	353,613	376,379
	<u>14,279,054</u>	<u>13,398,008</u>
Other income		
Income from sale of other materials, recognised at a point in time*	20,942	10,281
Income from render of other services, recognised overtime*	4,638	6,294
Gross rental income	1,053	579
Government grants	32,084	26,464
Indemnities received	3,053	24,680
Sundry income	14,886	41,684
	<u>76,656</u>	<u>109,982</u>

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

5. OTHER GAINS AND LOSSES, NET

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Gain on maturity of financial assets at FVTPL	81,590	12,508
(Provision for)/reversal of impairment losses on trade and other receivables	(7,792)	5,157
Gain/(loss) on disposal of property, plant and equipment	420	(21,252)
	<u>74,218</u>	<u>(3,587)</u>

6. FINANCE INCOME

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

7. FINANCE COSTS

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank and other borrowings	27,623	49,334
Interest on lease liabilities	1,771	1,225
	<u>29,394</u>	<u>50,559</u>

8. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Cost of inventories sold	11,421,107	10,085,796
Write-down of inventories	20,654	49,838
Cost of services provided	<u>300,646</u>	<u>325,965</u>
Cost of sales recognised as expenses	11,742,407	10,461,599
Depreciation and amortisation:		
Depreciation of property, plant and equipment		
– Owned property, plant and equipment	517,249	522,611
– Right-of-use assets included:		
– Buildings	15,739	2,006
– Plant and machinery	2,789	2,991
Amortisation of mining rights	1,103	1,583
Amortisation of prepaid lease payments	15,118	15,103
Amortisation of investment properties	5,314	5,437
Amortisation of intangible assets	<u>9,515</u>	<u>8,008</u>
	<u>566,827</u>	<u>557,739</u>
Impairment losses:		
Impairment loss of property, plant and equipment	–	300,703
Impairment loss of investment properties	15,688	1,867
Impairment loss of investment in an associate	<u>–</u>	<u>1,756</u>
	<u>15,688</u>	<u>304,326</u>
Other expenses*	47,396	358,862
Auditors' remuneration	3,435	2,303
Employee benefit expense (including directors' and supervisors' remunerations):		
Wages and salaries	925,907	855,677
Defined contribution pension scheme	105,339	101,405
Early retirement benefits and post-employment allowances	17,563	490
Medical benefit costs	56,273	54,414
Housing fund	<u>79,241</u>	<u>77,906</u>

* As at 31 December 2021, included in other expenses were severance payments of RMB308,442,000 related to the layoff of certain labours and employees upon the suspension of urea and methanol operations of a subsidiary.

9. INCOME TAX EXPENSES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax		
PRC Enterprise Income Tax	475,136	560,997
Deferred tax	355	446,174
	<u>475,491</u>	<u>1,007,171</u>
Over-provision in prior year	(3,454)	(7,000)
	<u>472,037</u>	<u>1,000,171</u>

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

(a) Enterprise Income Tax (“EIT”)

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

(b) Hong Kong Profits Tax

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

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Profit before income tax	<u>2,270,769</u>	<u>2,641,606</u>
Tax at the statutory tax rate of 25%	567,692	660,402
Income tax on concessionary rate	(63,444)	(75,124)
Over-provision in respect of prior year	(3,454)	(7,000)
Tax effect of share of profits of joint ventures and associates	(1,358)	(829)
Tax effect of tax losses not recognised	47,586	111,962
Utilisation of tax losses not recognised	(48,487)	(56,434)
Tax effect of deductible temporary differences not recognised	–	387,747
Utilisation of deductible temporary differences not recognised	–	(2,327)
Income not taxable for tax	(31,641)	(22,227)
Expenses not deductible for tax	5,143	4,001
	<u>472,037</u>	<u>1,000,171</u>
Income tax expenses	<u>472,037</u>	<u>1,000,171</u>
The Group’s effective income tax rate	<u>21%</u>	<u>38%</u>

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Earnings		
Profits for the year attributable to owners of the Company	<u>1,642,578</u>	<u>1,497,598</u>

	Number of shares	
	2022 '000	2021 '000
Shares		
Number of shares in issue during the year	<u>4,610,000</u>	<u>4,610,000</u>

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

11. INVESTMENT IN JOINT VENTURES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Cost of investment in joint ventures	265,299	265,299
Share of post-acquisition profits and other comprehensive income, net of dividends received	<u>29,945</u>	<u>24,225</u>
	<u>295,244</u>	<u>289,524</u>

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

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

Name of subsidiaries	Place and date of incorporation and operation	Registered capital '000		Percentage of equity interest attributable to the Company		Principal activities
				2022	2021	
				%	%	
貴州錦麟化工有限責任公司 (transliterated as Guizhou Jinlin Chemical Co., Ltd.)	PRC 12 April 2007	RMB584,221	Direct Indirect	33.99 –	33.99 –	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 –	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	– 36.56	Provision of overseas shipping services

The following table illustrates the summarised financial information of Guizhou Jinlin Chemical Co., Ltd., that are material to the Group and are accounted for using equity method:

	Guizhou Jinlin Chemical Co., Ltd.	
	2022	2021
	RMB'000	RMB'000
As 31 December		
Current assets	322,567	304,268
Non-current assets	495,943	491,060
Current liabilities	(40,090)	(12,735)
Non-current liabilities	(5,160)	(4,870)
	<u> </u>	<u> </u>
Year ended 31 December		
Revenue	1,336	–
(Loss)/profit and total comprehensive income	(4,464)	23
	<u> </u>	<u> </u>
Reconciled to the Group's interests in the joint venture		
Gross amounts of net assets of the joint venture	773,259	777,723
Group's effective equity interest	33.99%	33.99%
Group's share of net assets of the joint venture	262,831	264,348
Carrying amount in the consolidated financial statements	262,831	264,348
	<u> </u>	<u> </u>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
The Group's share of profits/(losses) and other comprehensive income	<u>7,820</u>	<u>(1,035)</u>
Aggregate carrying amounts of the Group's investment in joint ventures	<u><u>32,413</u></u>	<u><u>25,176</u></u>

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.

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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within one year	284,434	35,409
Over one year but within two years	<u>150</u>	<u>—</u>
	<u><u>284,584</u></u>	<u><u>35,409</u></u>

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 RMBNil (2021: RMBNil).

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Neither past due nor impaired	284,584	35,409

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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Balance at beginning of the year	—	762
Reversal of impairment loss	—	(762)
Balance at end of the year	—	—

As at 31 December 2022, 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, joint venture 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 analysed as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
CNOOC group companies	42,130	13,288
Associates	1,089	2,166
Joint venture	344	325
Other Related Parties	1,200	—
	44,763	15,779

13. PROPOSED DIVIDENDS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Proposed dividends – RMB0.178 (2021: RMB0.155) per ordinary share	820,580	714,550

The proposed final dividend for the year ended 31 December 2021 was approved at the annual general meeting on 27 May 2022. Proposed final dividend for year ended 31 December 2022 is subject to the approval of the Company's shareholders at the forthcoming 2022 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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payable	1,586,013	1,335,288
Transfer to a disposal group classified as held for sale (<i>Note 16</i>)	(239,530)	–
	1,346,483	1,335,288

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within one year	1,283,080	1,286,545
Over one year but within two years	61,585	45,865
Over two years but within three years	415	1,704
Over three years	1,403	1,174
	1,346,483	1,335,288

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
八所中理外輪理貨有限公司 (transliterated as China Basuo Ocean Shipping Tally Co., Ltd.)	PRC 9 May 2008	RMB300	Direct Indirect	– 61.41	Provision of overseas shipping services

Name of subsidiaries	Place and date of incorporation and operation	Registered capital '000	Percentage of equity interest attributable to the Company %	Principal activities
湖北大峪口化工有限責任公司 (transliterated as Hubei Dayukou Chemical Limited) ("Hubei Dayukou")	PRC 12 August 2005	RMB1,103,127	Direct 79.98 Indirect –	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 100.00 Indirect –	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)	PRC 19 October 2020	RMB300,000	Direct 51.00 Indirect –	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 100.00 Indirect –	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	
	2022	2021	2022	2021	2022	2021
			RMB'000	RMB'000	RMB'000	RMB'000
CNOOC Kingboard	40.00%	40.00%	159,970	144,865	475,271	459,685
Hainan Basuo Port	26.89%	26.89%	1,413	7,320	176,458	227,822
CNOOC Tianye	7.73%	7.73%	(14,082)	(70,246)	(54,615)	(40,533)
Hubei Dayukou	20.02%	20.02%	8,786	54,289	272,249	274,594

16. A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

The Group has entered into an equity transaction agreements dated on 18 December 2022 with 中國石油天然氣股份有限公司 (transliterated as PetroChina Company Limited) (the “Purchaser”) to dispose the Group’s 67% of equity interest in a subsidiary, CNOOC Tianye, which is under urea and methanol segments, at a consideration of RMB207,234,000. The Group is in view of that the equity transaction agreement have not yet been completed and they will provide necessary assistance and cooperation on procedures including the registration for the change in equity interest and issuance of new business licenses so as to complete the disposal. The Group expects the transaction will complete within one year.

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

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

CNOOC Tianye incurred net loss of RMB182,152,000 (2021: RMB912,996,000) during the year ended 31 December 2022. The disposal of CNOOC Tianye did not constitute a discontinued operation as it does not represent a major line of business.

(III) MANAGEMENT DISCUSSION AND ANALYSIS

1. Sector Review

Chemical fertiliser industry

In 2022, the international energy and grain markets were disturbed by the pandemic and geopolitical conflicts, and international bulk commodity prices rose rapidly. There was a general phenomenon of increasing stockpiling of grain across the countries, which led to an upward trend in international grain prices and a high inflation trend globally. It has always been emphasised by the PRC government that safeguarding grain safety is a critical national strategy. Therefore, it is imperative to stand firm on the commitment to grain safety by maintaining stable grain sown area so that Chinese people can have grain mainly produced in China. According to the data from the National Bureau of Statistics of China, in 2022, China remained as the largest grain producer in the world, with national total grain output of 686.53 million tonnes, up by 0.5% over 2021.

In 2022, the world's population has increased to more than 8 billion, and the rigid demand for grain has driven the growth of fertiliser demand. In the first half of the year, production cost of fertilisers surged as a result of factors such as higher bulk material prices and increasing environmental cost, which in turn drove up fertiliser prices. In the second half of the year, fertiliser prices returned to a rational level as domestic demand was in slack season.

(1) Urea

According to industry statistics, the domestic production volume of urea amounted to approximately 57.09 million tonnes (in kind) in 2022, representing a year-on-year increase of 2.6%. Meanwhile, the statistics from General Administration of Customs of the PRC ("GACC") showed that China exported a total of approximately 2.83 million tonnes of urea in 2022, representing a year-on-year decrease of 46.5% over 2021.

In 2022, the overall domestic urea price showed a trend of huge fluctuation. In the first half of the year, under the influence of factors such as the significant increase in global energy prices, the recovery of domestic urea demand, and the regional supply and demand tension caused by the repeated pandemic, the urea price continued to rise and reached the highest point of the year in June, hitting a new record high. In the second half of the year, the domestic urea price has plummeted since July. The average ex-factory price continued to fall from the highest of RMB3,200 per tonne to below RMB2,300 per tonne, and the price dropped by nearly RMB1,000 per tonne for more than one month. Since September, under the influence of favourable factors such as strong cost support, favourable demand expectations, significant increase in international prices and increase in export volume, the urea price has gradually recovered. In December, the average monthly price of urea reached RMB2,714 per tonne.

(2) Phosphate and compound fertilisers

According to industry statistics, the domestic annual output of ammonium phosphate was approximately 22.50 million tonnes (in kind) in 2022, representing a year-on-year decrease of approximately 21.9% over 2021. Meanwhile, the statistics from GACC showed that the export volume of DAP of China was approximately 3.58 million tonnes in 2022, representing a decrease of 42.8% as compared to the same period of last year.

In 2022, the price trend of DAP showed an “N” shape. In the first half of the year, under the combined effect of factors such as the international situation, production costs and increased demand, the price trend was generally upward, reaching RMB4,100 per tonne in June. In the second half of the year, the market price of DAP began to decline from a high level due to the weakened support of raw materials and sluggish demand, and the market price dropped significantly, with a decrease of approximately RMB1,400 per tonne during the period. After September, with the increasing domestic demand from storage for winter, the fertiliser market showed a steady development trend, and maintained an upward trend driven by costs. At the end of December, the price of DAP has rebounded to RMB3,800 per tonne, representing a year-on-year increase of approximately 8.6% over last year.

In the first half of 2022, with the rising prices of three major raw materials, namely urea, MAP and potassium chloride, and the concentrated release of demand, the market price of compound fertilisers showed a continuous upward trend, once rising to a high level of RMB4,200 per tonne; in the second half of the year, the demand side showed a weak trend, and the oversupply led to a decline in prices. Overall, the average price of domestic compound fertilisers in 2022 was RMB3,725 per tonne, representing a year-on-year increase of 31%.

Chemical industry

In 2022, the impact of macro factors on the chemical market increased significantly due to the complex economic situation at home and abroad, playing an important “role” in the process of price fluctuation. Energy prices had increased under the impact of the Russia-Ukraine conflict in the first half of the year, which kept the prices of chemical products at a high level. In the second half of the year, the consumption was in the slack season, with superimposed weak expectations and poor performance of demand side, resulting in the weak operation of the chemical market with volatility.

(1) *Methanol*

According to JLC statistics, the cumulative domestic production volume of methanol was approximately 69.83 million tonnes in 2022, representing a year-on-year increase of approximately 3.5%. China's import volume of methanol increased in 2022. The annual import volume for 2022 increased by 970 thousand tonnes or 8.6% compared with last year to approximately 12.19 million tonnes.

In 2022, the domestic price of methanol suffered a plunge after soaring high in the first and second half of the year, respectively. The Russia-Ukraine conflict led to a sharp rise in oil prices, which led to a continuous rise in methanol prices during the first quarter of the year, bringing the market price to a peak of RMB3,280 per tonne at the end of the first quarter. Due to the decline in domestic market demand, the global economic recession and the rising expectation of demand contraction, as well as the prices of bulk commodities such as crude oil falling sharply, the price of methanol dropped significantly in the second quarter. In the third quarter, affected by the overhaul of multiple sets of methanol plants at home and abroad, the supply decreased and the cost support was relatively strong, resulting in a price surge again. In the fourth quarter, due to the new production capacity and the increase in inventory, the price dropped again and was adjusted to RMB2,600 per tonne at the end of the year.

(2) *POM*

According to industry statistics, China recorded a POM output of 350 thousand tonnes in 2022, representing a year-on-year increase of 3%, indicating a slightly strengthened supply capacity.

In 2022, the annual average price of POM in China was RMB19,316 per tonne, representing a year-on-year increase of 7%. The price initially rose up and ended with a fall throughout the year. In the first half of the year, the price remained at the high level from the previous year, with the average price of above RMB22,000 per tonne. In the second half of the year, the price of POM decreased to approximately RMB16,000 per tonne due to the decline of raw materials price.

2. Business Review

Production Management

In 2022, the Company continued to strengthen its management and control over production operation by carrying out large-scale safety inspections and hidden danger investigations and treatments. The Company maintained safe and stable operation of all plants through various measures such as eliminating hidden dangers, special improvement and tackling bottlenecks. The Hainan Phase I and Hainan Phase II methanol plants recorded a long-term operation period of over 400 days. As a result, the Company's annual methanol production volume increased significantly. In 2022, the Company produced 1,962 thousand tonnes of urea, 933 thousand tonnes of phosphate and compound fertilisers, 1,520 thousand tonnes of methanol and 21 thousand tonnes of POM.

Details of production of the Group's plants in 2022 are set out as follows:

	For the year ended 31 December			
	2022		2021	
	Production (tonnes)	Utilisation rate (%)	Production (tonnes)	Utilisation rate (%)
Chemical fertilisers				
Urea				
Fudao Phase I	579,906	111.5	611,846	117.7
Fudao Phase II	778,602	97.3	817,405	102.2
CNOOC Tianye	—	—	—	—
CNOOC Huahe	603,583	116.1	599,630	115.3
Group total	<u>1,962,091</u>	<u>83.1</u>	<u>2,028,880</u>	<u>86.0</u>
Phosphate Fertilisers and Compound Fertilisers				
DYK MAP	78,822	52.5	67,834	45.2
DYK DAP Phase I (Note)	318,296	90.9	311,678	89.1
DYK DAP Phase II	535,875	107.2	595,458	119.1
Group total	<u>932,993</u>	<u>93.3</u>	<u>974,970</u>	<u>97.5</u>

	For the year ended 31 December			
	2022		2021	
	Production (tonnes)	Utilisation rate (%)	Production (tonnes)	Utilisation rate (%)
Chemical Products				
Methanol				
Hainan Phase I	656,906	109.5	583,430	97.2
Hainan Phase II	863,135	107.9	814,818	101.9
CNOOC Tianye	—	—	—	—
Group total	<u>1,520,041</u>	<u>95.0</u>	<u>1,398,248</u>	<u>87.4</u>
POM				
CNOOC Tianye POM	<u>20,685</u>	<u>51.7</u>	<u>30,967</u>	<u>77.4</u>
Group total	<u>20,685</u>	<u>51.7</u>	<u>30,967</u>	<u>77.4</u>

Note: In 2022, DYK DAP Phase I Plant produced 8,465 tonnes of DAP and 309,831 tonnes of compound fertilisers, amounting to 318,296 tonnes in total. In 2021, DYK DAP Phase I Plant produced 30,686 tonnes of DAP and 280,992 tonnes of compound fertilisers, amounting to 311,678 tonnes in total.

Sales Management

In 2022, the fertiliser and chemical product markets have experienced unprecedented historical market conditions for many years. The Company grasped the market opportunities and strengthened its market research and judgement capabilities. Through scientific and reasonable pricing, improving channel management and control, grasping the market rhythm, research and utilisation of policies, product mix adjustments and marketing model innovation, the Company ensured the balance between production and sales under the situation of significant decrease in exports, and achieved higher sales at high prices and increased volume and profits. In 2022, the Company sold 1,959 thousand tonnes of urea, 1,506 thousand tonnes of methanol, 624 thousand tonnes of phosphate fertilisers, 299 thousand tonnes of compound fertilisers and 21 thousand tonnes of POM. During the year, the Company exported a total of 91 thousand tonnes of urea and 66 thousand tonnes of DAP.

Urea

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

Sales region	For the year ended 31 December			
	2022		2021	
	Volume (tonnes)	Percentage (%)	Volume (tonnes)	Percentage (%)
North-eastern China	694,591	35.5	650,438	32.7
Northern China	106,463	5.4	107,872	5.4
Eastern China	93,500	4.8	37,688	1.9
South-eastern China	201,289	10.3	182,760	9.2
Southern China	690,372	35.2	779,779	39.2
Hainan	81,809	4.2	66,016	3.3
International	90,778	4.6	163,831	8.2
Total	<u>1,958,802</u>	<u>100.0</u>	<u>1,988,384</u>	<u>100.0</u>

Phosphate Fertilisers and Compound Fertilisers

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

Sales region	For the year ended 31 December			
	2022		2021	
	Volume (tonnes)	Percentage (%)	Volume (tonnes)	Percentage (%)
North-eastern China	222,630	24.1	214,042	22.0
Northern China	298,913	32.4	435,523	44.8
Eastern China	39,276	4.3	62,382	6.4
South-eastern China	231,247	25.0	73,573	7.6
Southern China	65,467	7.1	65,897	6.8
International	65,810	7.1	120,311	12.4
Total	<u>923,343</u>	<u>100.0</u>	<u>971,727</u>	<u>100.0</u>

Methanol

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

Sales region	For the year ended 31 December			
	2022		2021	
	Volume (tonnes)	Percentage (%)	Volume (tonnes)	Percentage (%)
Eastern China	217,402	14.4	198,145	14.5
South-eastern China	106,882	7.1	81,772	6.0
Southern China	1,070,858	71.1	979,357	71.7
Hainan	111,133	7.4	105,316	7.7
International	—	—	1,991	0.1
Total	<u>1,506,275</u>	<u>100.0</u>	<u>1,366,581</u>	<u>100.0</u>

BB Fertilisers

In 2022, the Group produced a total of 30,055 tonnes of BB fertilisers and achieved a sales volume of 25,136 tonnes.

Sea-land logistics services

In 2022, Basuo Port in Hainan completed a volume of throughput of 11.81 million tonnes.

3. Financial Review

Revenue

During the reporting period, the Group's revenue was RMB14,279.1 million, representing an increase of RMB881.1 million, or 6.6%, from that of RMB13,398.0 million in the same period of 2021. This was primarily attributable to the year-on-year significant increase in the selling prices of urea and phosphate and compound fertilisers of the Group.

During the reporting period, the Group realised an external revenue from urea of RMB4,968.6 million, representing an increase of RMB615.7 million, or 14.1%, from that of RMB4,352.9 million in the same period of 2021. This was primarily attributable to (1) an increase of RMB347.4 per tonne in the selling price of urea, which resulted in an increase in revenue of RMB680.5 million; and (2) a decrease of 29,581 tonnes in the sales volume of urea, which resulted in a decrease in revenue of RMB64.8 million that partially offset the above increase.

During the reporting period, the Group realised an external revenue from phosphate and compound fertilisers of RMB3,267.9 million, representing an increase of RMB453 million, or 16.1%, from that of RMB2,814.9 million in the same period of 2021. This was primarily attributable to (1) an increase of RMB642.4 per tonne in the selling price of phosphate and compound fertilisers, which resulted in an increase in revenue of RMB593.1 million; and (2) a decrease of 48,384 tonnes in the sales volume of phosphate and compound fertilisers, which resulted in a decrease in revenue of RMB140.1 million that partially offset the above increase.

During the reporting period, the Group realised an external revenue from methanol of RMB3,511.3 million, representing an increase of RMB298.2 million, or 9.3%, from that of RMB3,213.1 million in the same period of 2021. This was primarily attributable to (1) an increase of 139,693 tonnes in the sales volume of methanol, which resulted in an increase in revenue of RMB328.4 million; and (2) a decrease of RMB20.1 per tonne in the selling price of methanol, which resulted in a decrease in revenue of RMB30.2 million that partially offset the above increase.

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 RMB2,531.3 million, representing a decrease of RMB485.9 million, or 16.1%, from that of RMB3,017.2 million in the same period of 2021. This was primarily attributable to (1) the combined effect of the decrease in selling price and sales volume of POM during this year, which resulted in a decrease in revenue of RMB150.3 million; (2) the decrease in trading volume of the marketing company and Guangxi Fudao, which resulted in a decrease in revenue of RMB283.7 million from the trading business this year as compared to last year; (3) a decrease of RMB9.6 million in the revenue from BB fertilisers which was mainly caused by the combined effect of higher selling prices and lower sales volume; (4) a decrease of RMB22.8 million in revenue due to the throughput of Basuo Port; and (5) a decrease of RMB19.5 million in revenue from the sales of liquid ammonia, formaldehyde, and carbon dioxide.

Cost of sales

During the reporting period, the Group's cost of sales was RMB11,742.4 million, representing an increase of RMB1,280.8 million, or 12.2%, from that of RMB10,461.6 million in 2021.

During the reporting period, the Group's cost of sales for urea was RMB3,993.8 million, representing an increase of RMB777.9 million, or 24.2%, from that of RMB3,215.9 million in 2021. This was primarily attributable to (1) factors including the increase in raw material prices, which resulted in a year-on-year increase of RMB825.7 million in the cost of sales; (2) a year-on-year decrease of 29,581 tonnes in the sales volume this year, which resulted in a decrease in cost of RMB47.9 million.

During the reporting period, the Group's cost of sales for phosphate and compound fertilisers was RMB3,068.3 million, representing an increase of RMB643.6 million, or 26.5%, from that of RMB2,424.7 million in 2021. This was primarily attributable to (1) the increase 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 increase of RMB764.4 million in the cost of sales; and (2) a decrease of 48,384 tonnes in the sales volume of phosphate and compound fertilisers, which resulted in a decrease of RMB120.8 million in the cost of sales.

During the reporting period, the Group's cost of sales for methanol was RMB2,320.4 million, representing an increase of RMB227.1 million, or 10.8%, from that of RMB2,093.3 million in 2021. This was primarily attributable to (1) an increase of 139,693 tonnes in the sales volume of methanol, which resulted in an increase of RMB214.0 million in the cost of sales; and (2) the slight increase in natural gas prices during the year, which resulted in an increase of RMB13.1 million in the cost of sales.

During the reporting period, the Group's cost of sales for other segments was RMB2,359.9 million, representing a decrease of RMB367.8 million, or 13.5%, from that of RMB2,727.7 million in 2021. This was primarily attributable to (1) a decrease of RMB256.2 million in the cost of the trading business; and (2) the combined effect of the increase in raw material prices and the decrease in sales volume of POM during this year, which resulted in a decrease of RMB83.6 million in the cost of sales; (3) a decrease of RMB23.3 million in the cost of sales due to the throughput of Basuo Port; and (4) a year-on-year decrease of RMB4.7 million in the cost of sales for BB fertilisers, liquid ammonia, etc.

Gross profit

During the reporting period, the Group's gross profit was RMB2,536.6 million, representing a decrease of RMB399.8 million, or 13.6%, from that of RMB2,936.4 million in 2021. This was primarily attributable to (1) a decrease of RMB190.7 million in gross profit of phosphate and compound fertilisers due to the significant increase in raw material prices of phosphate and compound fertilisers in 2022 which resulted in the increase in costs exceeding the increase in sales prices; (2) a decrease of RMB162.1 million in gross profit of urea due to a significant increase in raw material prices of urea in 2022 which resulted in the increase in costs exceeding the increase in sales prices; (3) an increase of RMB71.1 million in gross profit of methanol due to rising in the production and sales volume of methanol; (4) a decrease of RMB66.6 million in gross profit of POM due to the increase in cost of POM and the decrease in sales prices; (5) a decrease of RMB27.5 million in the gross profit from the trading business; (6) an increase of RMB0.5 million in the gross profit from Basuo Port due to the decrease in costs of Basuo Port outweighing the decrease in revenue; and (7) a decrease of RMB24.5 million in gross profit of BB fertilisers, liquid ammonia and other businesses.

Other income

During the reporting period, the Group's other income was RMB76.7 million, representing a decrease of RMB33.3 million, or 30.3%, from that of RMB110.0 million in 2021. This was primarily attributable to (1) an increase of RMB7.4 million in profit from sales of materials this year; and (2) the penalty interest of RMB18.3 million received from Hualu Yangpoquan and RMB27.0 million from the payables waived in the previous year.

Other gains and losses, net

During the reporting period, the Group's other gains and losses, net amounted to RMB74.2 million, representing an increase of RMB77.8 million, or 2,161.1%, from RMB-3.6 million in 2021. This was primarily attributable to (1) a year-on-year increase of RMB69.1 million in interest on maturity of wealth management products; (2) a year-on-year increase of RMB21.7 million in the gain on disposal of fixed assets; and (3) a year-on-year decrease of RMB12.9 million in gains due to the credit impairment losses.

Selling and distribution expenses

During the reporting period, the Group's selling and distribution expenses amounted to RMB113.8 million, representing a decrease of RMB4.7 million, or 4.0% from that of RMB118.5 million in 2021. This was primarily attributable to (1) a year-on-year decrease of RMB4.5 million in loading and unloading fees, storage fees, railway operation fees and other direct selling expenses during the year; and (2) a year-on-year decrease of RMB0.2 million in sales agent fees.

Administrative expenses

During the reporting period, the Group's administrative expenses amounted to RMB551.5 million, representing an increase of RMB9.2 million, or 1.7%, from that of RMB542.3 million in 2021. This was primarily attributable to (1) an increase of RMB6.1 million in staff costs; (2) an increase of RMB16.9 million in depreciation and amortisation charges; (3) a year-on-year decrease of RMB15.3 million in rental fees, property management fees, consultation fees, health, safety and environmental protection fees and other fees; and (4) a year-on-year increase of RMB2.1 million in property tax, land use tax and other taxes.

Other expenses

During the reporting period, the Group's other expenses amounted to RMB47.4 million, representing a decrease of RMB311.5 million, or 86.8%, from that of RMB358.9 million in 2021. This was primarily attributable to (1) a year-on-year decrease of RMB300.2 million for the employee severance costs of CNOOC Tianye; (2) a decrease of RMB5.0 million in bank handling fees and interest expenses on discounting bills; (3) a decrease of RMB17.5 million in the expenses incurred for the retirement and disposal of inefficient and ineffective assets; and (4) a year-on-year increase of RMB18.5 million in donation.

Finance income and finance costs

During the reporting period, the Group's finance income amounted to RMB314.8 million, representing a decrease of RMB57.9 million, or 15.5%, from that of RMB372.7 million in 2021. This was primarily attributable to the decrease of RMB600.0 million in the principal amount of large-denomination certificate of deposits and fixed deposits and the decrease in the yield rate by the Group in 2022, which resulted in a decrease of RMB52.1 million in finance income.

During the reporting period, the Group's finance costs were RMB29.4 million, representing a decrease of RMB21.2 million, or 41.9%, from that of RMB50.6 million in 2021. This was primarily attributable to the scaling down of annual average size of working capital loans and the decrease in financing interest rate, which resulted in a decrease in finance costs.

Exchange gains, net

During the reporting period, the Group recorded a net exchange gain of RMB9.4 million, as compared to a net exchange gain of RMB0.4 million in 2021, representing a difference of RMB9.0 million. This was primarily attributable to the increase of exchange gains arising from the foreign exchange transactions, which was due to the increase of foreign currency receipts in the Group's export business and the adoption of spot settlement policy for foreign exchange collection in 2022.

Impairment loss on assets

During the reporting period, the Group recognised an asset impairment of RMB15.7 million, representing a decrease of RMB288.6 million, or 94.8% from that of RMB304.3 million in 2021. This was primarily attributable to (1) the recognition of asset impairment of RMB302.4 million of CNOOC Tianye last year; and (2) a year-on-year increase of RMB13.8 million from the recognition of impairment on the investment properties of DYK Chemical.

Share of profit of associates and joint ventures

During the reporting period, the Group's share of profit of associates and joint ventures was RMB5.4 million, representing an increase of RMB2.1 million as compared to the share of profit of associates and joint ventures of RMB3.3 million in 2021. This was primarily attributable to (1) a year-on-year increase of RMB4.2 million in the share of profit of CBC (Canada) Holding Corp. recognised during the year; (2) a year-on-year increase of RMB0.5 million in the share of profit of Hainan Basuo Port Overseas Shipping Agency Co., Ltd., Hainan Basuo Port Labour Service Limited and Inner Mongolia Hong Feng Packaging Co., Ltd. recognised during the year; (3) a year-on-year decrease of RMB2.1 million in the share of profit of Guizhou Jinlin Chemical Co., Ltd. recognised during the year; and (4) a decrease of RMB0.5 million in the share of profit of United Wealthfert Co., Ltd. recognised during the year.

Income tax expenses

During the reporting period, the Group's income tax expenses were RMB472.0 million, representing a decrease of RMB528.2 million, or 52.8% from that of RMB1,000.2 million in 2021. This was primarily attributable to (1) a corresponding decrease of RMB82.3 million in income tax expenses for the current period as the Group recorded a year-on-year decrease in profit before tax for the year; and (2) a year-on-year decrease in deferred income tax of RMB445.8 million as a result of the reversal, in the last year, of deferred income tax assets provided of CNOOC Tianye and Hualu Yangpoquan in prior years.

Net profit for the year

During the reporting period, the Group's net profit was RMB1,798.7 million, representing an increase of RMB157.3 million as compared to that of RMB1,641.4 million in 2021.

Dividends

The board of directors of the Company (the “Board”) recommended the payment of a final dividend for 2022 in the amount of RMB820.6 million, or RMB0.178 per share. The proposed final dividend for 2022 will be subject to the approval by the shareholders of the Company at the 2022 annual general meeting.

Capital expenditure

During the reporting period, the Group’s total capital expenditure for the year amounted to RMB1,825.0 million, including RMB1,574.0 million for oil refining and chemicals projects, RMB112.7 million for environmental management, energy conservation and low carbon projects, RMB73.5 million for base construction (production accessories) projects, RMB13.9 million for mining projects, RMB21.9 million for information system construction projects, RMB25.2 million for technology research (capital expenditures) projects, RMB3.8 million for office equipment project, and RMB2.9 million for charitable projects.

Key projects mainly included: (1) the chemical project in respect of acrylonitrile in the amount of RMB1,467.7 million; (2) the chemical project in respect of DYK Chupi Mountain Phosphogypsum Dry Slag Yard Project (Phase I) in the amount of RMB59.6 million; and (3) the chemical project in respect of Fudao Phase I Desalinated Water and Raw Water Modification in the amount of RMB19.8 million.

Pledge of assets

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

Capital management

The primary objective of the Group’s capital management is to ensure that it maintains a strong credit ranking and healthy capital structure in order to safeguard its normal production and operations and maximise shareholders’ value. The Group manages its capital structure and makes timely adjustments in light of changes in economic conditions. To maintain or realign our capital structure, the Group may raise capital by way of new debts or issue of new shares. The gearing ratio of the Group as at 31 December 2022 (calculated as interest-bearing liabilities divided by the sum of total equity and interest-bearing liabilities) was 10.5%, representing an increase of 4.7% compared to 5.8% as at 31 December 2021, which was primarily attributable to the increase in the Company’s capital by RMB861.9 million during the reporting period and the increase in its lease liabilities and interest-bearing bank borrowings by RMB1,032.8 million as compared to last year.

Cash and cash equivalents

At the beginning of 2022, the Group had cash and cash equivalents of RMB674.4 million. In 2022, the net cash inflow from operating activities was RMB2,142.5 million, the net cash outflow from investing activities was RMB2,353.7 million, the net cash inflow from financing activities was RMB65.4 million, and the increase from the effect of foreign exchange rate changes on cash and cash equivalents was RMB0.2 million. As at 31 December 2022, the Group's cash and cash equivalents were RMB528.8 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 2022, the Group had 4,191 employees. The aggregate of employees' wages and allowances for 2022 was approximately RMB893.3 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 2022, during the reporting period, the Company strictly implemented its annual training plan and recorded a total of 104,025 enrollments with a total of 565,891.59 training hours (including online training). The Company also organised 11,117 courses on safety training (on-site safety education and three-level safety training with contractors attended), internet safety training and external training with a total of 104,111 enrollments and 239,098 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 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 6.3014 and 7.2555. 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 2022, the balance of the Group's deposits in USD was US\$0.53 million.

Inflation and currency risk

According to data of National Bureau of Statistics of China, the consumer price index of the PRC increased by 2.0% 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 2022, based on the carrying amount of borrowings as shown in the financial statements, the Group's borrowings in the amount of RMB869.0 million would become due within one year. The Group has sufficient capital and is not exposed to liquidity risk.

Subsequent events

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

Contingent liabilities

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

Material litigation and arbitration

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

Material acquisitions and disposals of subsidiaries and associates of the Company

During the reporting period, the Group had no completed acquisitions and disposals.

On 28 November 2022, the Company initiated a listing-for-sales process to dispose of 67% equity interest in CNOOC Tianye on China Beijing Equity Exchange (“CBEX”). On 26 December 2022, the project of the Company of disposal of 67% equity interest in CNOOC Tianye through listing-for-sales on CBEX was accepted by PetroChina Company Limited and the equity acquisition contract was signed on 28 December 2022. On 22 February 2023, CBEX issued the transaction certificate of state-owned assets, and the Company received the total transaction price of RMB207.233546 million. Please refer to the announcement of the Company dated 28 November 2022 for details of the disposal.

On 27 June 2022, the Company initiated a listing-for-sales process to dispose of approximately 79.98% equity interest in Hubei Dayukou on CBEX. As at the date of this announcement, the final transferee is still uncertain, and no equity transaction agreement has been entered into by the Company. Please refer to the announcements of the Company dated 27 June 2022 and 2 August 2022 for the latest progress of the potential disposal.

On 30 June 2022, the Company entered into a conditional equity transfer agreement with CNOOC Oil & Petrochemicals Co., Ltd. for a proposed acquisition of 100% equity interests in CNOOC Orient Petrochemical Co., Ltd. (中海石油東方石化有限責任公司). As at the date of this announcement, the proposed acquisition has been terminated. Please refer to the announcement of the Company dated 28 March 2023 for details.

4. Sector Outlook

In 2023, with the recovery of the domestic economy and the return of logistics to normal, it is expected that export and industrial demand will recover to a certain degree. Ensuring the safety of fertilisers and grain is still the main policy tone. There is still a relatively strong support for the urea market, and the declining rate of urea price is relatively limited. The price trend in the first half of the year may be stronger than that in the second half of the year. The market of ammonium phosphate will continue to stand firm at the current high price level in the coming spring, and the price of fertilisers in the low season may fluctuate downward in the second half of the year.

In respect of methanol, with the slowdown of new methanol production capacity, it is expected to present a relatively stable demand in the methanol-to-olefins and traditional downstream methanol industries, an increasing demand from wider applications of new energy-related fine chemicals, a more obvious impact of cost posed on methanol and downstream products, and a price fluctuation in market prices; POM is expected to increase in demand for new energy vehicles.

5. Our Key Tasks in 2023

1. To further enhance our HSE and refined production management to attain the safe and smooth operation of all production plants;
2. To further enhance our marketing capabilities and increase the proportion of direct sales of products;
3. To further strengthen lean management and strictly control costs;
4. To ensure commercial operation of the acrylonitrile project;
5. To seize the opportunities arising from the construction of Hainan Free Trade Port and push forward the construction of wharf and logistics;
6. To promote technology research and innovation, and strive to master core technologies through independent research and development and technology sourcing;
7. To further enhance digital empowerment capabilities, and
8. To increase efforts in exploring opportunities for corporate development and promote the high-quality development of the Company.

(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 2022 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 2022.

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.

We refer to 2022 interim report of the Company dated 29 September 2022. As disclosed in the subsection headed “Disclosures on Information of Directors, Supervisors and Chief Executive” in 2022 interim report, on 30 March 2022, Mr. Wang Weimin resigned from the positions of the chairman of the Board and an executive Director, and Mr. Hou Xiaofeng, an executive Director, was appointed by the Board to perform the duties and responsibilities of the chairman of the Board until the effective date of the appointment of the new chairman of the Board. In view of Mr. Hou Xiaofeng’s experience, personal profile and his roles in the Company, the Board considers that it has no unfavorable impact on the business prospects and operational efficiency of the Company that Mr. Hou Xiaofeng, in addition to acting as the CEO and president of the Company, acts as the chairman of the Board. The Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) there is sufficient check and balance in the Board as the decision to be made by the Board requires approval by at least a majority of the Directors and the Board has three independent non-executive Directors out of the seven Directors, which is in compliance with the Listing Rules; (ii) Mr. Hou Xiaofeng and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that they act for the benefit and in the best interest of the Company and make decisions for the Company accordingly; (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company; and (iv) the overall strategic and other key business, financial, and operational policies of the Company are made collectively after thorough discussion at both Board and senior management levels.

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

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 2022, all members of the Board and all Supervisors have complied with the required standards as set out in the Model Code.

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

The register of members of the Company will be closed from 25 April 2023 to 25 May 2023 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for attendance at the annual general meeting of the Company for 2022 (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 24 April 2023.

Proposed Final Dividends and Closure of the Register of Members

The Board has recommended the payment of final dividends of RMB0.178 (tax included) per share for the year ended 31 December 2022 to shareholders of the Company whose names appear on the register of members of the Company on the proposed record date, 6 June 2023. The proposed final dividends for 2022 will be subject to the approval of shareholders of the Company at the AGM to be held on 25 May 2023. 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 2023.

The register of members of the Company will be closed from 1 June 2023 to 6 June 2023 (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 31 May 2023.

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

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

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

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

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

During 2022, 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 2022 Annual Report will be available on the HKExnews and the Company's website in due course.

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

Beijing, the People's Republic of China, 28 March 2023

As at the date of this announcement, the executive Director of the Company is Mr. Hou Xiaofeng, the non-executive directors of the Company are Mr. Huang Hulong and Mr. Zhao Baoshun, and the independent non-executive directors of the Company are Mr. Yu Changchun, Mr. Lin Feng and Mr. Xie Dong.

* *For identification purpose only.*