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)

ANNUAL REPORT 2023

HKSE CODE: 3983

COMPANY PROFILE

China BlueChemical Ltd. ("China BlueChem", the "Company" or "we", together with subsidiaries, the "Group", stock code: 03983) is the largest state-owned chemical fertiliser producer and the leading methanol producer in China. Headquartered in Beijing, China BlueChem's production facilities are located in Hainan Province, Hubei Province and Heilongjiang Province. Its total designed annual production capacity amounts to 1,840,000 tonnes of urea, 1,000,000 tonnes of phosphate and compound fertilisers, 1,400,000 tonnes of methanol, and 270,000 tonnes of Acrylonitrile and relating products. On 29 September 2006, China BlueChem was listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").
China BlueChem is one of the largest listed companies in terms of production volume of fertilisers and methanol in China. As a subsidiary of China National Offshore Oil Corporation ("CNOOC"), the competitive advantages owned by China BlueChem laid a solid foundation for its robust development of chemical fertilisers and chemical businesses.

The production facilities in Hainan

The production facilities in Hubei

The production facilities in Heilongjiang

CONTENTS

Financial Highlights

Selected consolidated income statement data

For the year ended 31 December, RMB'million

Financial Highlights	2019	2020	2021	2022	2023
Revenue	10,858.4	10,417.5	13,398.0	14,279.0	**12,989.8**
Cost of sales	(8,937.1)	(9,083.8)	(10,461.6)	(11,742.4)	**(10,928.8)**
Gross profit	1,921.4	1,333.7	2,936.4	2,536.6	**2,061.1**
Other income and other gains and losses	253.2	180.1	106.4	77.1	**89.0**
Selling and distribution costs	(440.9)	(183.1)	(118.5)	(113.8)	**(114.8)**
Administrative expenses	(489.1)	(432.6)	(542.3)	(551.5)	**(602.7)**
Other expenses	(30.3)	(28.4)	(358.9)	(47.4)	**(27.0)**
Finance income	231.3	272.6	372.7	314.8	**357.9**
Finance costs	(103.1)	(76.0)	(50.6)	(29.4)	**(34.2)**
Exchange (losses)/gains, net	(0.6)	(13.2)	0.4	9.4	**(9.6)**
Share of (losses)/gains of joint ventures	(3.1)	(0.4)	0.7	2.7	**1.8**
Share of (losses)/gains of associates	(3.2)	0.8	2.6	2.7	**2.2**
Impairment losses	(4.8)	-	(304.3)	(23.5)	**(6.2)**
Change in fair value of financial assets at fair value through profit or loss	48.4	-	6.1	93.0	**88.3**
Gain on disposal of a subsidiary	-	-	68.7	-	**858.2**
Gains on disposal of an associate	-	-	455.1	-	**-**
Gains on deemed disposal of a joint venture	-	-	67.0	-	**-**
Profit before tax	1,379.1	1,053.6	2,641.6	2,270.8	**2,664.0**
Income tax expenses	(624.1)	(274.5)	(1,000.2)	(472.0)	**(289.9)**
Profit for the year	755.0	779.2	1,641.4	1,798.7	**2,374.1**
Profit for the year attributable to owners of the Company	703.2	745.5	1,497.6	1,642.6	**2,381.7**
Basic earnings per share attributable to ordinary owners of the Company (RMB)	0.15	0.16	0.32	0.36	**0.52**

Selected consolidated statement of financial position data

As at 31 December, RMB'million

Financial Highlights	2019	2020	2021	2022	2023
Assets					
Non-current assets	8,534.6	8,062.3	7,970.0	8,012.9	**8,740.7**
Current assets	10,885.0	12,685.5	13,461.6	15,484.8	**15,576.6**
Total assets	19,419.6	20,747.8	21,431.6	23,497.7	**24,317.3**
Equity and liabilities					
Total equity	15,117.1	15,628.1	16,914.7	17,776.6	**19,407.2**
Non-current liabilities	666.0	216.9	1,074.9	1,618.6	**1,766.1**
Current liabilities	3,636.5	4,902.7	3,442.0	4,102.5	**3,144.1**
Total equity and liabilities	19,419.6	20,747.8	21,431.6	23,497.7	**24,317.3**

Operational Highlights

Production volume and utilisation rate of the Group's various plants

		For the year ended 31 December					
		Production volume (tonnes)			Utilisation rate (%)		
		2023	2022	Change %	2023	2022	Change
Chemical fertilisers							
Urea	Fudao Phase I	505,957	579,906	(12.8)	97.3	111.5	(12.7)
	Fudao Phase II	823,051	778,602	5.7	102.9	97.3	5.8
	CNOOC Huahe	676,925	603,583	12.2	130.2	116.1	12.1
	Group total	2,005,933	1,962,091	2.2	109.0	106.6	2.3
Phosphate fertilisers and compound fertilisers	DYK MAP	46,530	78,822	(41.0)	31.0	52.5	(41.0)
	DYK DAP Phase I (Note 1)	363,368	318,296	14.2	103.8	90.9	14.2
	DYK DAP Phase II	404,369	535,875	(24.5)	80.9	107.2	(24.5)
	Group total	814,267	932,993	(12.7)	81.4	93.3	(12.8)
Chemical products							
Methanol	Hainan Phase I	636,282	656,906	(3.1)	106.0	109.5	(3.2)
	Hainan Phase II	825,804	863,135	(4.3)	103.2	107.9	(4.4)
	Group total	1,462,086	1,520,041	(3.8)	104.4	108.6	(3.9)
Acrylonitrile and relating products	Acrylonitrile	129,400	-	-	64.7	-	-
	Acetonitrile	4,175	-	-	69.6	-	-
	MMA	31,208	-	-	44.6	-	-
	Group total	164,783	-	-	59.7	-	-

Note 1: In 2023, DYK DAP Phase I Plant produced 8,050 tonnes of DAP and 355,318 tonnes of compound fertilisers, amounting to 363,368 tonnes in total. In 2022, DYK DAP Phase I Plant produced 8,465 tonnes of DAP and 309,831 tonnes of compound fertilisers, amounting to 318,296 tonnes in total.

Sales volume of the Group's various plants

Unit: tonne

		For the year ended 31 December 2023	For the year ended 31 December 2022	Change %
Chemical fertilisers				
Urea	Fudao Phase I	489,030	560,956	(12.8)
	Fudao Phase II	824,775	780,479	5.7
	CNOOC Huahe	677,903	615,568	10.1
	Group total	1,991,707	1,958,802	1.7
Phosphate fertilisers and compound fertilisers	DYK MAP	50,197	77,850	(35.5)
	DYK DAP Phase I	361,696	309,899	16.7
	DYK DAP Phase II	414,803	535,594	(22.6)
	Group total	826,696	923,343	(10.5)
Chemical products				
Methanol	Hainan Phase I	626,229	652,682	(4.1)
	Hainan Phase II	817,373	853,592	(4.2)
	Group total	1,443,602	1,506,274	(4.2)
Acrylonitrile and relating products	Acrylonitrile	125,406	-	-
	Acetonitrile	3,926	-	-
	MMA	30,163	-	-
	Group total	159,495	-	-

CNOOC Fudao plant

Hou Xiaofeng / CEO & President

CEO's Report

Dear shareholders,

In 2023, the recovering domestic economy faced challenges such as insufficient domestic demand and a complex and severe external environment. The national strategy of ensuring food safety was further strengthened, and the importance of the chemical fertilizer industry was continuously highlighted. The fluctuation in the prices of international bulk commodities had a tremendous impact on the chemical industry. Under the leadership of the Board, the Company – the "protector of national food safety and material foundation", dedicated efforts to actively develop its business interests. In its unremitting pursuit, the Company resolutely consolidated its position, characterized by "dual peaks in both production capacity and output among all central enterprises in the fertilizer field", and maintained its commitment to quality, positioning itself as a "Plant Nutrition Solutions Provider". By extensively exploring the advantages of synergistic development along the downstream industrial chains, the Company continuously improved its corporate governance, maintained an overall safe production position, created a scientific fertilization system, and strived for economic gains while seeking social betterment.

RMB **12,990** million

The Group realised a revenue of RMB12,990 million

RMB **2,061** million

Gross profit of RMB2,061 million

RMB **2,382** million

with a net profit attributable to owners of the Company of RMB2,382 million

Review of 2023

In 2023, the Company clearly defined its development position and promoted the transformation and upgrade of the traditional industrial structure. The Company maintained safe and stable production, and sales efficiency improved. Key projects commenced operation smoothly, technological empowerment was actively promoted, and the Company's brand value improved continuously. In 2023, the Company realised a revenue of RMB12,990 million and a gross profit of RMB2,061 million. Moreover, a net profit attributable to owners of the Company of RMB2,382 million was recorded, representing an increase of 45.0% over 2022, which was the best performance since the establishment of the Company. In view of the sound financial position of the Company and to reward its shareholders, the Board has recommended the payment of a final dividend of RMB0.207 per share (tax inclusive) for 2023, representing a payout ratio of 40%.

In respect of production management, the Company adhered to the principle of safe production and continued to strengthen management and control over the production operation. There were no production-related accidents throughout the year, and for the second consecutive year, there were no environmental pollution incidents, hence the best performance since the founding of the Company. Hainan Phase I methanol plant once again recorded a long-term operation period of over 500 days, and the continuous operation days of the CNOOC Huahe fertilizer plant and the production volume of urea both achieved record highs. Benefiting from such developments, the Company's annual production of urea increased significantly year on year. In 2023, the Company produced 2,006 thousand tonnes of urea, 814 thousand tonnes of phosphate and compound fertilizers, 1,462 thousand tonnes of methanol and 165 thousand tonnes of acrylonitrile and related products.

With regard to sales management, the Company continued to strengthen market promotions and promoted refined pricing management. In addition, it enhanced its influence across channel, increased sales in the high-price range, achieved greater sales at higher prices, and increased both volume and profit. The Company also intensified brand building efforts, focusing on bolstering its position as a "Plant Nutrition Solution Provider". Furthermore, the Company sought to increase e-commerce direct sales. As a consequence, the e-commerce direct sales to farmers reached 84.6 thousand tonnes, representing a year-on-year increase of 110%. In 2023, the Company sold 1,992 thousand tonnes of urea, 1,444 thousand tonnes of methanol, 473 thousand tonnes of phosphate fertilizers, 353 thousand tonnes of compound fertilizers and 159 thousand tonnes of acrylonitrile and relating products. During the year, the Company exported a total of 153 thousand tonnes of urea and 130 thousand tonnes of DAP, and the export volume of fertilizers increased by 80% year on year. Also, the Company exported 25 thousand tonnes of methanol.

Still other achievements by the Company include the successful completion and operation of the acrylonitrile project, which also involved completing a performance evaluation during its trial operation. The digital delivery of the project was achieved as well, and the devices operated continuously for more than 300 days. Separately, the equity transfer transaction of CNOOC Tianye was successfully completed, which further optimized the Company's asset structure.

The Company continued to press ahead with its green and low-carbon development strategy, and maintained its leading position in energy efficiency. The Company's methanol plant was awarded the honorary title of "Energy Efficiency Leader" by the China Petroleum and Chemical Industry Federation for the twelfth consecutive year, and the synthetic ammonia plant was awarded the honorary title of "Water Efficiency Leader" by the China Nitrogen Fertiliser Industry Association for the fourth consecutive year.

The Company actively reinforced its brand image of being "the main force among central enterprises to ensure the supply of chemical fertilizers", which facilitated the continuous rise of its brand value. In 2023, the brand value of China BlueChemical reached RMB5.404 billion – up by RMB1.433 billion as compared with the previous year, setting a record high.

Outlook for 2024

In 2024, the domestic economy is expected to consolidate and gradually improve. Both the supply and demand for urea are anticipated to increase, which can be attributed to its direct application in agricultural products and through the procurement of raw materials for compound fertilizer factories. Due to seasonality, supply and demand are expected to enter different phases based on low and peak seasons. As for phosphate fertilizer, the new overseas production capacity is anticipated to replace part of the export demand. The overall balance between supply and demand will be relatively loose in the market, though the cost of raw materials is expected to decline, hence the price of phosphate fertilizer may return to a reasonable level – fluctuating based on the season. With gradual stability entering the global supply chain and adjustments being made in the raw materials market, the cost of raw materials for compound fertilizer will potentially sustain relative balance. Overall, the compound fertilizer market is facing certain fluctuations, and is expected to observe a neutral trend. Regarding methanol, its import will continue to remain at a high level. The demand from downstream industries for olefins, will be stable, whereas traditional downstream industries will show a growth trend, and the alternative application of energy will maintain growth. Furthermore, the overall price center of the methanol market is expected to improve over last year. In respect of acrylonitrile, the growth rate of domestic acrylonitrile production capacity will slow down as the release of existing production capacity has been the main driver of supply. Since the capacity expansion in downstream industries such as ABS and carbon fiber will be relatively concentrated, the overall supply and demand structure will be adjusted and revamped, and the sale in the markets will further improve.

CNOOC Fudao plant

In 2024, the Company will continue to place safety and environmental protection as its top priority, hence it will further strengthen the refined production management, and promote the full implementation of the new Heath, Safety, and Environment (HSE) management system. The Company will also seek product and service upgrades, strengthen its position as a "Plant Nutrition Solution Provider", precisely implement cost reduction measures, and continuously optimize the value of its products in terms of cost per tonne. Furthermore, the Company will intensify research on the resource utilization of carbon-rich natural gas and CO_2 to champion carbon reduction. While promoting industrial innovation with scientific and technological innovation, the Company will master more fertilizer and chemical-related core technologies, and conduct both self-initiated and cooperative research and development. Moreover, it will focus comprehensively on digital and intelligent transformation, intensify research efforts on strategic emerging industries, and optimize planning and deployment, in order to facilitate the Company's high-quality development.

In 2024, the management team together with all staff members will, under the guidance of the Board, endeavor to further enhance operational efficiency, strengthen the position of high-quality fertilizer suppliers and high-end chemical products manufacturers, and vigorously promote the Company's high-quality development so as to achieve favorable results and returns for all shareholders.

Hou Xiaofeng
Chief Executive Officer (CEO), President

Management Discussion and Analysis

Panoramic view of acrylonitrile plant

Sector Review

Chemical fertiliser industry

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

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

(1) Urea

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

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

as compared with the average price of RMB2,705 per tonne in 2022.

(2) Phosphate and compound fertilisers

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

Maintenance of methanol pipelines in Zone 2

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

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

Chemical industry

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

Hainan Phase II methanol plant

Part of acrylonitrile plant

(1) Methanol

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

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

(2) Acrylonitrile

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

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

Acrylonitrile first ship operation

Business Review

Production Management

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

Production control

CNOOC Fudao plant

DYK Chemical Phase II phosphoric acid plant

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

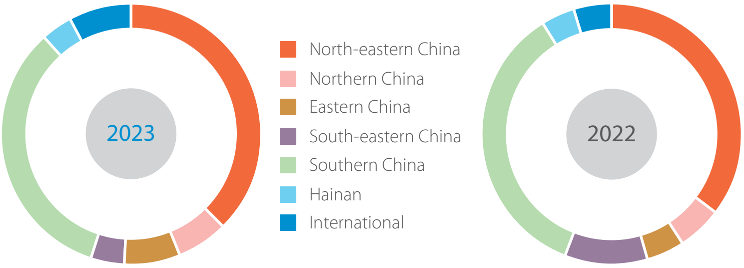
	For the year ended 31 December			
	2023		2022	
	Production (tonnes)	Utilisation rate (%)	Production (tonnes)	Utilisation rate (%)
Chemical fertilisers				
Urea				
Fudao Phase I	505,957	97.3	579,906	111.5
Fudao Phase II	823,051	102.9	778,602	97.3
CNOOC Huahe	676,925	130.2	603,583	116.1
Group total	2,005,933	109.0	1,962,091	106.6
Phosphate Fertilisers and Compound Fertilisers				
DYK MAP	46,530	31.0	78,822	52.5
DYK DAP Phase I (Note)	363,368	103.8	318,296	90.9
DYK DAP Phase II	404,369	80.9	535,875	107.2
Group total	814,267	81.4	932,993	93.3
Chemical products				
Methanol				
Hainan Phase I	636,282	106.0	656,906	109.5
Hainan Phase II	825,804	103.2	863,135	107.9
Group total	1,462,086	104.4	1,520,041	108.6
Acrylonitrile and relating products				
Acrylonitrile	129,400	64.7	-	-
Acetonitrile	4,175	69.6	-	-
MMA	31,208	44.6	-	-
Group total	164,783	59.7	-	-

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

Sales Management

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

Sales control

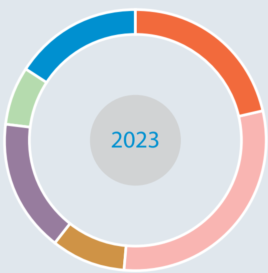


Urea

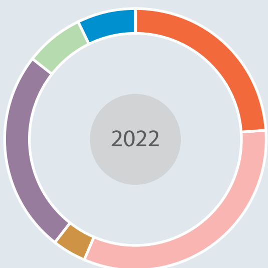
The following table sets out the Group's urea sales volumes by final sales destinations of products during the preceding two financial years:

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

Urea lading



North-eastern China
Northern China
Eastern China
South-eastern China
Southern China
International



Phosphate Fertilisers and Compound Fertilisers

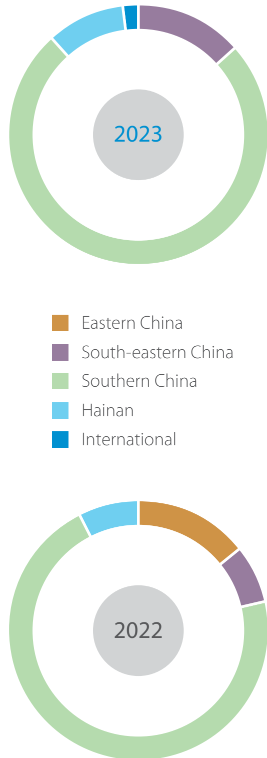
The following table sets out the Group's phosphate fertiliser and compound fertiliser sales volumes by final sales destinations of products during the preceding two financial years:

	For the year ended 31 December			
	2023		2022	
Sales region	**Volume** *(tonnes)*	**Percentage** *(%)*	Volume (tonnes)	Percentage (%)
North-eastern China	**178,806**	**21.6**	222,630	24.1
Northern China	**246,081**	**29.8**	298,913	32.4
Eastern China	**76,845**	**9.3**	39,276	4.3
South-eastern China	**135,134**	**16.3**	231,247	25.0
Southern China	**60,174**	**7.3**	65,467	7.1
International	**129,656**	**15.7**	65,810	7.1
Total	**826,696**	**100.0**	923,343	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			
	2023		2022	
Sales region	Volume (tonnes)	Percentage (%)	Volume (tonnes)	Percentage (%)
Eastern China	-	-	217,402	14.4
South-eastern China	193,743	13.4	106,882	7.1
Southern China	1,085,032	75.1	1,070,858	71.1
Hainan	139,402	9.7	111,133	7.4
International	25,425	1.8	-	-
Total	1,443,602	100.0	1,506,275	100.0



Methanol lading

Acrylonitrile first ship operation

Acrylonitrile and relating products

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

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

BB Fertilisers

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

Sea-land logistics services

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

Work zone of Basuo port

Progress of Key Projects

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

Chemical fertilizer shipping at Basuo Port

Routine inspection

Financial Review

Revenue

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

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

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

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

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

Cost of sales

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

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

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

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

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

Gross profit

During the reporting period, the Group's gross profit was RMB2,061.1 million, representing a decrease of RMB475.5 million, or 18.7%, from that of RMB2,536.6 million in 2022. This was primarily attributable to (1) an increase of RMB15.3 million in gross profit of phosphate and compound fertilisers due to the decline in raw material prices of phosphate and compound fertilisers and the better cost control in 2023 which resulted in the decrease in costs; (2) an increase of RMB166.7

million in gross profit of urea due to the increase in the sales volume of urea and the good cost control of urea in Huahe in 2023; (3) a decrease of RMB444.7 million in gross profit of methanol due to the decrease in sales volume and the increase in the cost of methanol; (4) a year-on-year decrease of RMB41.8 million in gross profit of POM due to the decrease in the sales volume of POM; (5) a decrease of RMB43.0 million in the gross profit from the trading business; (6) a year-on-year decrease of RMB7.0 million in the gross profit due to the increase in costs of Basuo Port; (7) a decrease of RMB85.9 million in gross profit of acrylonitrile due to the loss of acrylonitrile production; and (8) a decrease of RMB49.1 million in gross profit of other businesses.

Other income

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

Other (losses)/gains, Net

During the reporting period, the Group's other losses, net amounted to RMB-0.7 million, compared to other gains, net of RMB0.4 million in 2022. This was primarily attributable to a year-on-year decrease of RMB1.1 million in the gain on disposal of fixed assets.

Selling and distribution expenses

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

Administrative expenses

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

Other expenses

During the reporting period, the Group's other expenses amounted to RMB27.0 million, representing a decrease of RMB20.4 million, or 43.1%, from that of RMB47.4 million in 2022. This was primarily attributable to (1) a decrease of RMB2.7 million in bank charges and interest expenses on discounted bills; (2) a decrease of RMB13.3 million in non-operating expenses; and (3) a decrease of RMB4.3 million in other unrecognized finance expenses and amortization expenses.

Finance income and finance costs

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

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

Exchange (losses)/gains, net

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

Impairment loss on assets

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

Share of profit of associates and joint ventures

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

Income tax expenses

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

Net profit for the year

During the reporting period, the Group's net profit was RMB2,374.1 million, representing an increase of RMB575.4

million as compared to that of RMB1,798.7 million in 2022.

Dividends

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

Capital expenditure

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

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

Pledge of assets

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

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit ranking and healthy capital structure in order to safeguard its normal production and operations and maximise shareholders' value. The Group manages its capital structure and makes timely adjustments in light of changes in economic conditions. To maintain or realign our capital structure, the Group may raise capital by way of new debts or issue of new shares. The gearing ratio of the Group as at 31 December 2023 (calculated as interest-bearing liabilities divided by the sum of total equity and interest-bearing liabilities) was 9.0%, representing a decrease of 1.5% compared to 10.5% as at 31 December 2022, which was primarily attributable to the decrease in its lease liabilities and interest-bearing bank borrowings by RMB342.4 million during the reporting period as compared to last year.

Cash and cash equivalents

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

Human resources and training

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

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

Market risk

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

Commodity price risk

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

Interest rate risk

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

Foreign exchange risk

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

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

Inflation and currency risk

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

Liquidity risk

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

As at 31 December 2023, based on the carrying amount of borrowings as shown in the financial statements, the Group's borrowings in the amount of RMB377.7 million would become due within one year. The Group has sufficient capital and is not exposed to liquidity risk.

Subsequent events

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

Contingent liabilities

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

Material litigation and arbitration

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

Material acquisitions and disposals of subsidiaries and associates of the Company

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

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

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

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

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

Sector Outlook

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

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

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

Our Key Tasks in 2024

1. To adhere to the bottom line of safety and environmental protection, enhance refined production management, and promote the full implementation of the new version of HSE management system;
2. To strive to promote the upgrading of products and services, and enhance itself as a "Plant Nutrition Solution Provider";
3. To precise implementation of cost reduction measures and further improve processing cost per tonne;
4. To deepen the research on the resource utilisation of carbon-rich natural gas and CO_2, and master more powerful capabilities to eliminate carbon emission;
5. To promote industrial innovation with scientific and technological innovation, and master more core technologies of fertiliser and chemical through independent research and development and cooperation;
6. To focus on digital and intelligent transformation in all aspects; and
7. To strengthen the research of strategic emerging industries, optimize the Company's planning and deployment, and promote the Company's high-quality development.

CNOOC Huahe urea plant

DYK Chemical plant

Corporate Governance Report

In 2023, the Company continued to be committed to implementing high standard of corporate governance policy and practices, striving incessantly for excellence in corporate governance with the goal of maintaining the healthy and sustainable growth of the Company and creating greater values for the shareholders.

Since 2006, the Company has established a well-balanced and independently-operating modern corporate governance structure comprising the general meeting, the board of directors (the "Board"), the supervisory committee (the "Supervisory Committee") and senior management in accordance with the laws and regulations such as the Company Law of the People's Republic of China (the "Company Law"), the rules and guidelines promulgated by domestic and overseas regulatory bodies, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the provisions set out in Appendix C1 thereto.

During the reporting period, the Company has complied with all code provisions in the Corporate Governance Code contained in Appendix C1 to the Listing Rules, except for the deviation from code provisions C.2.1 and F.2.2 of the Corporate Governance Code. The Company continued to pursue professional governance standards, consolidated the foundation of governance system and improved the system of the Board. The Company organized and convened general meetings, Board meetings and Supervisory Committee meetings in a compliant manner. The information disclosures of the Company were compliant, timely and accurate, and no incident of enquiry, disciplinary hearing or censure by the regulatory authorities in Hong Kong had incurred. The Company maintained smooth and effective communication with the capital market and the media through various platforms and channels to preserve its positive image in the capital market. The Directors and Supervisors were timely and comprehensively provided with production and operation information so as to give strong support for their duty performance. The internal control system were maintained and improved to ensure that the connected transactions and non-competition are in compliance with the requirements.

The corporate governance of the Company during the reporting period is summarised as follows:

1 General meeting

Duties of the general meeting

The general meeting is the organ of authority of the Company and shall exercise the following duties and powers in accordance with the law:

- to decide on the operating strategies, investment plans, proposals for annual financial budgets and final accounts and proposals for profit distribution and losses recovery of the Company;
- to elect and replace Directors and Supervisors who are not employee representatives and to determine the remunerations of Directors and relevant Supervisors;
- to consider and approve reports of Directors and reports of Supervisory Committee;
- to pass resolutions on matters such as changes in registered capital, mergers, division, changes in corporate form, dissolution and liquidation of the Company;
- to pass resolutions on issues of bonds and other securities and listings of the Company;
- to pass resolutions on appointment, removal or non-reappointment of accounting firms;
- to consider and approve major guarantees and acquisitions or disposals of major assets of the Company;
- to amend the articles of association of the Company (the "Articles");
- to consider interim proposals made by shareholder(s) holding, either individually or collectively, three percent or more of the voting shares of the Company;
- to consider and approve share incentive schemes;
- such matters as may be authorised or delegated by the general meeting to the Board; and
- other matters which are required by laws, administrative regulations and the Articles to be resolved by the general meeting.

Shareholders' rights

Pursuant to the provisions of the Articles, the specific rights of shareholders of the Company in the following three aspects are as follows:

Convening extraordinary general meetings

When shareholders individually or collectively holding ten percent or more of the issued and outstanding voting shares of the Company request in writing to convene an extraordinary general meeting, the Board shall convene an extraordinary general meeting within 2 months and include the proposals put forward by the requestor in the agenda of the meeting.

Procedures for putting forward proposals at general meetings

Where a general meeting is being convened by the Company, shareholders individually or collectively holding three percent or more of the total voting shares of the Company shall be entitled to put forward and submit interim proposals in writing ten days before the date of the general meeting to the convener of the general meeting, who shall issue a supplementary notice of the general meeting within two days after receipt of the same to all other shareholders and include matters in the proposals that fall within the scope of duties of the general meeting in the meeting agenda for consideration by the general meeting.

Proposals for a general meeting shall satisfy the following conditions: (1) the contents of the proposals shall not contravene the provisions of laws and regulations and shall fall within the scope of business and the duties of the general meeting of the Company; (2) the proposals shall have clear topics for discussion and specific matters to be resolved upon; and (3) the proposals shall be submitted or delivered to the Board in writing.

Such proposals and the written requisitions from the aforesaid requestors calling for the convening of an extraordinary general meeting may be delivered to the Board or the Company Secretary by hand, mail or courier at the following address: Unit 1707, Kaikang CNOOC Mansion, No.15, Sanqu, Anzhenxili, Chaoyang District, Beijing.

Procedures for making enquiries to the Board and information available thereon

Shareholders of the Company may obtain such relevant information as stipulated in the Articles after payment of fees at cost in accordance with the provisions of the Articles, and may raise their concerns with or make enquiries about the aforesaid information to the Board via the email address, postal address and telephone numbers posted on the Company's website.

Information on general meetings

During the reporting period, the Company held one annual general meeting, one H Shareholders' class meeting, one domestic Shareholders' class meeting and one extraordinary general meeting. At these meetings, 25 proposals in relation to, among other things, the amendments to the Articles of Association, the appointment of Directors and Supervisors, the 2024-2026 Continuing Connected Transactions Agreements and the Proposed Annual Caps, the 2022 annual financial report, the report of Directors, the report of the Supervisory Committee, profit distribution plan, the 2023 budget proposal of the Company, the re-appointment of accounting firms and the grant of general mandate to the Board to repurchase H Shares, were considered and passed. In 2023, each of Mr. Li Ruiqing, Mr. Yu Changchun, Mr. Xie Dong and Mr. Lin Feng, being the Directors, had an attendance rate at the general meetings of 100%. Mr. Hou Xiaofeng, being a Director, was unable to attend the annual general meeting and Shareholders' class meetings due to other business arrangements, with an attendance rate of 25%. Mr. Huang Hulong and Mr. Zhao Baoshun, being the then Directors, were unable to attend the extraordinary general meeting due to other business arrangements, with an attendance rate of 75%. The Company did not convene a general meeting after the appointment of Ms. Shao Lihua and Mr. Yang Dongzhao, being the Directors, on 22 December 2023. The Company did not convene a general meeting before the resignation of Mr. Li Zhi, being the then Director, on 28 March 2023.

Under code provision F.2.2, the chairman of the Board should attend the annual general meeting of the Company. Mr. Hou Xiaofeng was unable to attend the 2022 annual general meeting, H Shareholders' class meeting and domestic Shareholders' class meeting held on 25 May 2023 due to other business arrangements. The above meetings were chaired by Mr. Zhao Baoshun at the time, being a non-executive Director. Mr. Zhao Baoshun, together with other members of the Board who attended the annual general meeting and the Shareholders' class meeting, were of sufficient calibre to answer questions at the meetings and had answered questions at the meetings competently.

The convening of the general meetings of the Company and the procedures for considering and approving the proposals were in compliance with the laws and regulations and the relevant provisions of the Articles, which effectively protected the interests of the Shareholders as a whole.

2 Board of Directors

The Board is the decision-making body of the Company and shall be accountable to the general meeting.

Duties of the Board

While delegating certain powers and responsibilities to the management in relation to the management of routine business operation of the Group, the Board is responsible for formulating business strategies and guidelines, business plans, investment plans, setting up management goals, reviewing the performance of the Company and assessing the effectiveness of management strategies, formulating profit distribution plans and loss recovery plans of the Company, appointing or dismissing senior management of the Company and fixing their remuneration, determining the establishment of the Company's internal management structure and formulating the basic management system of the Company, and exercising various reserved powers including:

- to convene the general meeting and report to the general meeting on its work and carry out resolutions of the general meeting;
- to formulate business plans, investment plans, proposals for annual financial budgets and final accounts, profit distribution plans and loss recovery plans of the Company;
- to formulate proposals for the increase or reduction of the registered capital of the Company and proposals for the issue of bonds and other securities and the listings of the Company;

- to draw up proposals for the merger, division, change of corporate form or dissolution of the Company;
- to determine the establishment of internal management structure of the Company, to appoint or dismiss the president of the Company and to appoint or dismiss other senior management personnel pursuant to the nomination by the president, and to fix their remuneration;
- to formulate proposals for amendments to the Articles and the basic management system of the Company;
- to make proposals to the general meeting for appointing, re-appointing or dismissing the accounting firm that provides audit service to the Company; and
- such other duties and powers as are stipulated in the Articles or delegated by the general meeting.

Directors and diversity policy

As at 31 December 2023, the Board consisted of seven Directors, including two executive Directors, two non-executive Directors and three independent non-executive Directors. There was no relationship (including financial, business, family or other material or relevant relationship(s)) among the members of the Board. Biographical details of the Directors are set out on pages 33 to 35 of this annual report.

The composition and structure of the Board is in compliance with the requirements of the Company Law and the Listing Rules, which has established an effective internal check and balance mechanism and caters to the needs of the Company's operation and development. When determining the Board composition, the Company considers the diversity of the Board members in many respects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The Company has formulated a Board diversity policy, which sets out the approach adopted by the Board to achieve diversity. All appointments of Directors are made by the Board after taking into consideration objective criteria such as their qualifications and experiences, and their compliance with the Board diversity policy. The ultimate decision shall be based on the professional strengths and the possible contributions to the Board of the candidates. In 2023, the Company appointed a female Director to enhance the diversity of the Board of the Company. The Company aims to maintain a Board with female representation and the Nomination Committee will proactively consider the increase in the proportion of female members when selecting and making recommendations on suitable candidates for Board membership. The Company focuses on gender diversity when considering potential successors to the Board to achieve gender diversity.

For the gender composition of the senior management of the Company, please refer to the section headed Directors, Supervisors and Senior Management of this annual report. Details of the gender ratio of the existing employees of the Company have been disclosed in 2023 Environmental, Social and Governance Report published by the Company on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and on the website of the Company at www.chinabluechem.com.cn. Currently, the gender ratio of the Company's senior management and employees is at the same level as that of other companies in the same industry. In the future, it is expected that the gender ratio of senior management and employees will remain at a similar level as the current level.

As at 31 December 2023, the members of the sixth session of the Board were as follows:

Board member	Position(s)	Date of appointment
Hou Xiaofeng	Executive Director, CEO and President (Act as Chairman)	27 May 2021
Li Ruiqing	Executive Director	25 May 2023
Shao Lihua	Non-executive Director	22 December 2023
Yang Dongzhao	Non-executive Director	22 December 2023
Yu Changchun	Independent Non-executive Directors	27 May 2021
Lin Feng	Independent Non-executive Directors	27 May 2021
Xie Dong	Independent Non-executive Directors	27 May 2021

Each of the Directors appointed by the Company has entered into a service agreement with the Company. Among them, Mr. Hou Xiaofeng, Mr. Yu Changchun, Mr. Lin Feng and Mr. Xie Dong were appointed for a term of office of three years, or until a new session of Directors is elected by Shareholders at the 2023 annual general meeting of the Company. Mr. Li Ruiqing, Ms. Shao Lihua and Mr. Yang Dongzhao, all being Directors, were appointed for a term of office commencing from the date on which their appointments were approved at the general meeting until a new session of Directors is elected by Shareholders at the 2023 annual general meeting of the Company. However, if a new Director is not elected in time prior to the expiration of the term of office of an existing Director, the existing Director shall, pursuant to the laws and regulations and the Articles, continue to perform his / her duties as a Director prior to the election at the general meeting held by the Company in the year when his / her term of office expire. Directors may be re-elected and re-appointed upon expiration of their terms of office.

The Company has adopted the following mechanisms to ensure independent views and input are available to the Board, and the Board reviews such mechanisms annually to ensure its effectiveness: (1) three out of seven Directors are independent non-executive Directors, which is in compliance with the requirements under the Listing Rules that the Board must have at least three independent non-executive Directors and the independent non-executive Directors appointed must represent at least one-third of the

Board; (2) the independent non-executive Directors have sufficient time to effectively perform their duties; (3) where required by the Listing Rules, the Company shall establish an independent board committee to give opinions on relevant transactions; (4) external independent professional advice can be obtained if required by a Director; (5) all Directors are encouraged to freely express their independent opinions and constructive questions at Board/Board Committee meetings.

During the reporting period, each of the independent non-executive Directors has submitted to the Company an annual confirmation of his/her independence. The Board has assessed the independence of each of the independent non-executive Directors and considered that all of them met the independence requirements under the Listing Rules. One of the independent non-executive Directors fully met the requirements of Rule 3.10(2) of the Listing Rules, i.e., having appropriate professional qualifications or appropriate accounting or related financial management expertise. The number of the independent non-executive Directors, their independence and qualifications were in compliance with the provisions of the Listing Rules. The independent non-executive Directors own a fiduciary duty to the Company and its Shareholders, and in particular, are entrusted with the duty to safeguard the interests of minority Shareholders. They perform an important check-and-balance function in the decision-making process of the Board and play a key role in corporate governance. During the reporting period, the independent non-executive Directors expressed their views and comments on matters concerning the interests of the Shareholders and the Company at Board meetings.

Information on Board meetings

During the reporting period, the Board held five on-site meetings and, according to the actual work needs, held one interim meeting by way of written resolution in lieu of holding an on-site meeting. Attendance of each member of the Board at the on-site Board meetings during the year ended 31 December 2023 was as follows:

Director	Number of meetings attended/held	Attendance rate (%)
Hou Xiaofeng	4/5	80
Li Ruiqing (Note 1)	4/4	100
Shao Lihua (Note 2)	1/1	100
Yang Dongzhao (Note 2)	1/1	100
Yu Changchun	5/5	100
Lin Feng	5/5	100
Xie Dong	5/5	100
Li Zhi (Note 3)	0/1	0
Huang Hulong (Note 4)	2/4	50
Zhao Baoshun (Note 4)	4/4	100

Note 1: Mr. Li Ruiqing was appointed as an executive Director of the Company on 25 May 2023. Four Board meetings were held during the period from 25 May 2023 to 31 December 2023.

Note 2: Ms. Shao Lihua and Mr. Yang Dongzhao were appointed as non-executive Directors of the Company on 22 December 2023. One Board meeting was held during the period from 22 December 2023 to 31 December 2023.

Note 3: Due to other work arrangements, Mr. Li Zhi ceased to be the executive Director of the Company on 28 March 2023. One Board meeting was held during the period from 1 January 2023 to 28 March 2023.

Note 4: Due to other work arrangements, Mr. Huang Hulong and Mr. Zhao Baoshun ceased to be the non-executive Director of the Company on 22 December 2023. Four Board meetings were held during the period from 1 January 2023 to 22 December 2023.

The procedures for convening of the Board meetings and considering and approving the proposals were in compliance with the relevant laws and regulations and the provisions of the Articles. The Directors have fulfilled their fiduciary duties in a practical manner and made decisions on important matters of the Company after prudent discussion. The Directors must declare their direct and indirect interests (if any) in relation to the issues to be discussed at the Board meetings and the interested Directors must abstain from voting on the resolutions concerned, and shall not vote on behalf of other Directors, which effectively protected the interests of the Shareholders of the Company as a whole.

Training for Directors

As stipulated in code provision C.1.4 of the Corporate Governance Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills so as to ensure that they continue to contribute to the Board in a well-informed and relevant manner.

During the reporting period, all Directors participated in a number of training sessions in various forms. In particular, the Directors (namely Mr. Li Ruiqing, Mr. Huang Hulong, Mr. Zhao Baoshun, Mr. Yu Changchun, Mr. Lin Feng and Mr. Xie Dong) attended the on-site training organised by the Company on 25 May 2023 to learn about the latest regulatory trends of listed companies and other related topics. The Company circulated written materials to Directors (namely Mr. Hou Xiaofeng, Mr. Li Ruiqing, Ms. Shao Lihua, Mr. Yang Dongzhao, Mr. Yu Changchun, Mr. Lin Feng and Mr. Xie Dong) by mail on 22 December 2023, which included five sets of learning materials concerning the review of information in annual report of issuers by the Hong Kong Stock Exchange and other matters. The Directors completed the training by reading through these materials. The Company organised two training sessions for new Directors in May and December 2023, during which the newly appointed Directors Mr. Li Ruiqing, Ms. Shao Lihua and Mr. Yang Dongzhao learned about the responsibilities of Directors of listed companies.

Corporate governance functions

The Board is responsible for carrying out the corporate governance functions and has fulfilled its duties and responsibilities as set out in code provision A.2.1 of the Corporate Governance Code. During the reporting period, the Board reviewed the Company's compliance with the laws and regulatory requirements and the Corporate Governance Code and its disclosures in the Corporate Governance Report; reviewed and monitored the training and continuous professional development of Directors and senior management, further strengthened the authority and duties of the Board, considered the topics about KPIs of the Company in the environmental aspect, set out targets and steps for achieving the targets of key indicators for energy saving and emission reduction in the environmental aspect, and approved and tracked the above targets and monitored relevant implementation; enhanced the risk management and internal control of the Company, and further improved the corporate governance policies and practices.

The Board has set long-term development goals and firmly established the scale positioning of "dual first in production capacity and output of state-owned fertilizer enterprises". To achieve this goal, the Board leads and shapes the company's corporate culture, attaches great importance to the construction and inheritance of corporate culture. During the reporting period, the Board listened to and evaluated the relevant situation of corporate culture. With the brand positioning of "Plant Nutrition Solution Provider" and the spiritual character of "responsibility, leadership, ingenuity and strength", the Company created a special brand culture and carry out brand strategy improvement planning actions. Its business objectives and development strategies are in line with corporate culture.

3 Committees of the Board

The Board has four committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee and the Investment Review Committee. Each of the committees has written terms of reference as approved by the Board, covering its duties, powers and functions. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee have been defined by reference to terms recommended by the Corporate Governance Code and are published on the websites of the Hong Kong Stock Exchange and the Company, respectively. Each committee has adequate resources to perform its duties. The committees shall report regularly and provide recommendations to the Board to assist the Board in making decisions.

Audit Committee

The Audit Committee currently consists of five members, including the independent non-executive Directors namely Mr. Xie Dong, Mr. Yu Changchun and Mr. Lin Feng, and the non-executive Directors namely Ms. Shao Lihua and Mr. Yang Dongzhao, with Mr. Xie Dong being the chairman.

The primary duties of the Audit Committee are to review and supervise the completeness and preparation procedures of the consolidated financial statements of the Group, review the annual production, operation and financial budget plans, review the effectiveness of the risk management procedures and internal control procedures of the Company to ensure the efficiency of the Company's business operation and the achievement of the Company's objectives and strategies, review the independence and objectivity of external auditors of the Company and the validity of audit procedures, and review the appointment, remuneration and terms of engagement of external auditors of the Company and any issues in connection with the appointment and dismissal of external auditors. The Audit Committee also examines the internal audit and supervisory work plans of the Company and submits relevant reports, review opinions and recommendations to the Board.

The Audit Committee held five on-site meetings during the reporting period and held one interim meeting by way of written resolutions in lieu of holding an on-site meeting according to actual work needs. The tasks it performed are summarised as follows:

- reviewed the 2022 consolidated financial statements and the 2023 interim condensed consolidated financial statements and results, with focus on the compliance with accounting standards, the Listing Rules and other requirements, and made recommendations and advice to the Board;
- reviewed the 2024 operating and financial budgets of the Company, and made recommendations and advice to the Board;
- reviewed the independence of the external auditor and made recommendations to the Board on the appointment of the external auditor, and considered and approved the terms of engagement of the external auditor and the audit fees for 2023;
- reviewed the statutory audit plan of the external auditor and the nature and scope of audit; and
- reviewed the internal audit and supervisory work reports of the Company for 2023 and approved the internal audit plan for 2024 of the Company, and reviewed the effectiveness of the risk management and internal control systems and the internal audit function of the Company.

Attendance of each member of the Audit Committee at the committee meetings during the reporting period was as follows:

Audit Committee member	Number of meetings attended/held	Attendance rate (%)
Xie Dong (Chairman)	5/5	100
Shao Lihua (Note 1)	1/1	100
Yang Dongzhao (Note 1)	1/1	100
Yu Changchun	5/5	100
Lin Feng	5/5	100
Huang Hulong (Note 2)	2/4	50
Zhao Baoshun (Note 2)	4/4	100

Note 1: Ms. Shao Lihua and Mr. Yang Dongzhao were appointed as members of the Audit Committee of the Company on 22 December 2023. One meeting of the Audit Committee of the Company was held during the period from 22 December 2023

to 31 December 2023.

Note 2: Mr. Huang Hulong and Mr. Zhao Baoshun ceased to be members of the Audit Committee of the Company on 22 December 2023. Four meetings of the Audit Committee of the Company were held during the period from 1 January 2023 to 22 December 2023.

Remuneration Committee

The Remuneration Committee currently consists of three members, including independent non-executive Directors namely Mr. Lin Feng and Mr. Xie Dong, and non-executive Director namely Ms. Shao Lihua, with Mr. Lin Feng being the chairman.

The Remuneration Committee is primarily responsible for studying, reviewing and formulating remuneration policies and proposals, including standards, procedures and major regimes of performance appraisal, and major proposals and system of rewards and penalties, for Directors, Supervisors and senior management of the Company, and making recommendations thereon to the Board. The Remuneration Committee, with delegated responsibility from the general meeting and the Board, determines the remuneration packages of executive Directors, Supervisors and senior management. It is also responsible for monitoring the implementation of the Company's remuneration system, and reviewing and/or approving matters relating to share scheme as described in Chapter 17 of the Listing Rules. In discharging its duties, the Remuneration Committee may consult the Chairman, the President and other executive Directors.

Remuneration policy

- The remuneration package policy for executive Directors is designed to link the remuneration and performance of executive Directors with the Company's corporate objectives and operating results, while taking into account market conditions, in order to provide performance incentives to and retain the executive Directors.
- The remunerations of non-executive Directors and independent non-executive Directors, which are subject to approval at the Company's general meetings, are determined mainly based on the complexity of the matters to be handled by them and their responsibilities. Pursuant to the service contracts entered into by the Company with non-executive Directors and with independent non-executive Directors, the expenses incurred by non-executive Directors and independent non-executive Directors in the performance of their duties (including attending meetings of the Company) are reimbursable by the Company.

The Directors are not entitled to decide upon and approve their own remuneration. Details of the remuneration of each Director for the year ended 31 December 2023 are set out in Note 12 to the consolidated financial statements.

During the reporting period, three meetings of the Remuneration Committee were held at which the committee determined the remuneration of executive Directors and Supervisors of the Company, reviewed the appraisal results and remuneration distribution plan of the management of the Company for 2022, and proposed to the Board on the remuneration of non-executive Directors of the Company.

Attendance of each member of the Remuneration Committee at the committee meetings during the reporting period was as follows:

Remuneration Committee member	Number of meetings attended/held	Attendance rate (%)
Lin Feng (Chairman)	3/3	100
Shao Lihua (Note 1)	1/1	100
Xie Dong	3/3	100
Huang Hulong (Note 2)	1/2	50

Note 1: Ms. Shao Lihua was appointed as a member of the Remuneration Committee of the Company on 22 December 2023. One meeting of the Remuneration Committee of the Company was held during the period from 22 December 2023 to 31 December 2023.

Note 2: Mr. Huang Hulong ceased to be a member of the Remuneration Committee of the Company on 22 December 2023. Two meetings of the Remuneration Committee of the Company were held during the period from 1 January 2023 to 22 December 2023.

Nomination Committee

The Nomination Committee currently consists of three members, including executive Director namely Mr. Hou Xiaofeng, and independent non-executive Directors namely Mr. Yu Changchun and Mr. Lin Feng, and the duties and responsibilities of the chairman of the Nomination Committee were performed by Mr. Hou Xiaofeng.

On 30 March 2022, Mr. Wang Weimin resigned from his position as the chairman of the Company, an executive Director of the Company, as well as a member and the chairman of the Nomination Committee of the Board due to work reasons. At the same day, the Board appointed Mr. Hou Xiaofeng as a member of the Nomination Committee and the duties and responsibilities of the chairman of the Nomination Committee were performed by Mr. Hou Xiaofeng until the day on which the appointment of the chairman of the Nomination Committee takes effect.

The Nomination Committee is primarily responsible for assessing and reviewing the structure, size and composition (including skills, knowledge and experience) of the Board, making recommendations to the Board on the appointment, re-appointment and succession of Directors and senior management of the Company and relevant personnel to be appointed pursuant to the requirements of the Listing Rules. Specifically, the criteria adopted include the suitability of candidates in terms of appropriate professional skills, knowledge and experience, personal integrity, honesty and skills. It assesses and reviews the independence of each independent non-executive Director.

The Nomination Committee is also responsible for reviewing the Board diversity policy of the Company. The factors to be considered by the Nomination Committee in evaluating and selecting candidates for Directors include but are not limited to integrity and honesty, qualifications such as profession, skills and experience, any potential contribution to Board diversity in terms of gender, age, culture and educational background, whether the required independence criteria are satisfied, willingness and capability to contribute sufficient time to perform his/her duties in the capacity of a Director and a member of committees under the Board, suitability to the actual situation of the Company and other factors applicable to the business and succession plans of the Company.

The nomination procedures to select candidates for directorship are available on the website of the Company. Specifically, upon receiving the proposal to appoint a new Director or the nomination from Shareholders, the Nomination Committee will assess the candidate's eligibility to serve as a Director based on the above criteria in combination with his/her personal profile. If multiple candidates are involved, the Nomination Committee shall prioritise them according to the Company's needs and candidates' respective qualifications. In the case of the re-appointment of a Director at the general meeting, the Nomination Committee shall review the overall contribution and services of the Directors whose terms of office have expired to the Company, their participation and performance within the Board, and whether such Director still meets the above criteria. The Nomination Committee makes recommendations to the Board on the appointment of suitable candidates for directorship, which shall ultimately be determined by the general meeting of the Company.

The Company adopted the Board diversity policy on 31 May 2013 and believed that the Board diversity policy is beneficial for enhancing the quality of the Company's performance. The Board diversity policy aims to set out the approach to achieve diversity on the Board members. When determining the Board composition, the Company considers the diversity of the Board members in many respects, including but not limited to gender, age, cultural, educational background, professional experience, skills and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board members. The ultimate decision shall be based on merit and the possible contributions to the Board of the candidates. The Nomination Committee has reviewed the Board diversity policy to ensure its effectiveness. In 2023, the Company appointed a female Director, which fulfilled the Company's goal of appointing a female Director before the time required by the Listing Rules. The Company will continue to implement the Board diversity policy to enhance the diversity of the Board.

During the reporting period, the Nomination Committee held two on-site meetings to make recommendations on candidates for directors and senior management in accordance with the above nomination policy and procedures, and to review the structure, size and composition (including skills, knowledge and experience) of the Board and its special committees. Attendance of each member of the Nomination Committee at the committee meetings was as follows:

Nomination Committee member	Number of meetings attended/held	Attendance rate (%)
Hou Xiaofeng (Act as Chairman)	2/2	100
Yu Changchun	2/2	100
Lin Feng	2/2	100

Investment Review Committee

The Investment Review Committee consists of five members, including the independent non-executive Directors namely Mr. Yu Changchun, Mr. Lin Feng and Mr. Xie Dong, and the non-executive Directors namely Ms. Shao Lihua and Mr. Yang Dongzhao, with Mr. Yu Changchun being the chairman.

The Investment Review Committee is primarily responsible for reviewing investment projects that are beyond the decision-making authority delegated to the management by the Board and making recommendations to the Board on the decision-making.

During the reporting period, two meetings of the Investment Review Committee were held at which the committee reviewed the investment projects of the Company and plans for capital increase of subsidiaries and reported their review comments to the Board.

Attendance of each member of the Investment Review Committee at the committee meetings during the reporting period was as follows:

Investment Review Committee member	Number of meetings attended/held	Attendance rate (%)
Yu Changchun (Chairman)	2/2	100
Shao Lihua (Note 1)	1/1	100
Yang Dongzhao (Note 1)	1/1	100
Lin Feng	2/2	100
Xie Dong	2/2	100
Huang Hulong (Note 2)	1/1	100
Zhao Baoshun (Note 2)	1/1	100

Note 1: Ms. Shao Lihua and Mr. Yang Dongzhao were appointed as members of the Investment Review Committee of the Company on 22 December 2023. One meeting of the Investment Review Committee of the Company was held during the period from 22 December 2023 to 31 December 2023.

Note 2: Mr. Huang Hulong and Mr. Zhao Baoshun ceased to serve as members of the Investment Review Committee of the Company on 22 December 2023. One meeting of the Investment Review Committee of the Company was held during the period from 1 January 2023 to 22 December 2023.

4 Supervisory Committee

The Supervisory Committee is accountable to the general meeting and exercises the following functions and powers in accordance with the law:

- to review the financial matters of the Company;
- to supervise the behaviour of Directors and senior management of the Company in the fulfillment of their duties and to put forward proposals on removal of those who have violated the laws, administrative regulations and the Articles;
- to demand Directors, the President and other senior

management to rectify any improper behaviour that would be detrimental to the interest of the Company;

- to verify financial reports, business reports, profit distribution plans and other financial information to be submitted by the Board at general meetings, and to engage certified public accountants or auditors to reexamine the same in the name of the Company in case of doubt;
- to propose the convening of extraordinary general meetings, and to convene and preside over general meetings when the Board fails to fulfil its duty under the Articles to do so;
- to put forward proposals at general meetings;
- to initiate legal actions against Directors, the President and other senior management in accordance with the Company Law; and
- to exercise other functions stipulated in the Articles.

The Supervisory Committee currently consists of three members, two of whom are external Supervisors (being the shareholders' representative Supervisor and the independent Supervisor, respectively) and one of whom is the employees' representative Supervisor.

For details of the work performed by the Supervisory Committee, please refer to the Report of the Supervisory Committee on page 54 to 55 of this annual report.

5 Senior management

The senior management consists of the chief executive officer, the President, the chief financial officer, the vice president and the secretary to the Board (Company Secretary).

Together with other senior management members, the chief executive officer/President of the Company organises and carries out operational and managerial activities of the Company in accordance with the laws and regulations, the Articles and the authority delegated by the Board, and exercises the following major functions and powers:

- to be in charge of the Company's production, operation and management and to organise the implementation of resolutions of the Board;
- to organise the implementation of the Company's annual business plans and investment plans;
- to draw up plans for the establishment of the Company's internal management structure;
- to draw up the Company's basic management system and to formulate the basic rules and regulations of the Company;
- to propose the appointment or dismissal of the Company's chief financial officer and vice president and to appoint or dismiss management staff other than those required to be appointed or dismissed by the Board; and
- other functions and powers conferred by the Articles and the Board.

The senior management of the Company implements the development strategies and business management plans formulated by the Board. They have extensive expertise and management experience in the respective fields which they are in charge of or responsible for, and form a management team which cooperates closely to ensure the day-to-day operation of the Company be carried out efficiently.

The management of the Company submits the management accounts of the Company (including analysis of production and sales data and internal financial statements), a monthly QHSE report and a monthly risk management report to members of the Board and the Supervisory Committee every month and provides the background and explanatory information relating to matters to be discussed by the Board so that each Director and Supervisor can fully understand the progress of material events and the latest business status of the Company. They issue information reports on capital markets covering stock price trends, analyst reports from investment banks and media news on a periodic basis to keep Directors and Supervisors abreast of the developments in the capital markets relating to the Company. The management also issues a daily stock quote report to keep Directors and Supervisors timely informed of share price movements of the Company.

The Company has set up the Quality, Health, Safety and Environmental Protection Committee, the Budget Management Committee, the Technology and Network Informatisation Committee, and the Risk Management Committee etc. These committees adequately ensure that the production, operation and investment decision-making and risk management of the Company are conducted in a scientific and prudent way.

Details of the remuneration range of the members of senior management of the Company for the financial year ended 31 December 2023 are set out in Note 13 to the consolidated financial statements.

6 Securities transactions by Directors and Supervisors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix C3 to the Listing Rules as its code of conduct regarding securities transactions by Directors and Supervisors. Having made specific enquiry of the Directors and Supervisors, all of them confirmed that during the accounting period covered by this annual report, they have strictly complied with the required standards set out in the Model Code.

The Board will examine the corporate governance and operations of the Company from time to time so as to meet the relevant requirements of the Listing Rules and to safeguard Shareholders' interests.

7 Chairman and President

The chairman is responsible for providing leadership over the effective operation of the Board, while the chief executive officer/president is responsible for the day-to-day business operation of the Group and reports to the Board on the overall operation of the Company. During the reporting period, Mr. Hou Xiaofeng served as the chief executive officer/president of the Company and performed the duties and responsibilities of the chairman of the Board.

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 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 responsibilities is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company; and (iv) the overall strategic and other key business, financial, and operational policies of the Company are made collectively after thorough discussion at both Board and senior management levels. The Company is identifying suitable candidate to fill up the vacancy of the chairman of the Board to comply with the requirements under C.2.1 of the Corporate Governance Code.

8 Company Secretary

During the reporting period, Ms. Wu Xiaoxia served as the Company Secretary from 1 January 2023 to 5 January 2023, and Mr. Kuang Xiaobing and Ms. Ng Sau Mei served as the joint company secretaries from 5 January 2023 to 31 December 2023. Mr. Kuang Xiaobing is also the chief financial officer and the vice president of the Company and is familiar with the day-to-day affairs of the Company. All Directors have the access to the advice and services from the Company Secretary to ensure the Board procedures and all applicable laws, rules and regulations are complied with.

Having made enquiry by the Board, Ms. Wu Xiaoxia, Mr. Kuang Xiaobing and Ms. Ng Sau Mei confirmed that they met all the requirements stipulated in the Listing Rules regarding qualification, experience and training during their term of office. The major contact of Ms. Ng Sau Mei, the external service provider from TMF Hong Kong Limited, in the Company is Mr. Kuang Xiaobing.

9 Communication with investors

The Board recognises the importance of good and effective communication with all Shareholders. In addition to the release of information and publication of announcements and circulars, the Company has also set up a section titled "Investor Relations" on its website at www.chinabluechem.com.cn, where Shareholders may access relevant information.

The Company reviews the Administrative Measures for Information Disclosure and the Administrative Rules for Information Disclosure in the Capital Market on an annual basis. Pursuant to the rules and requirements of regulatory authorities, the Company is proactive in maintaining a good relationship with investors, making proper information disclosure and maintaining ongoing communications with Shareholders. In particular, the Company, among other things, organises annual results roadshows, participates in investors' forums organised by investment banks, invites investors/analysts to visit our plants, and holds face-to-face interviews or teleconferences with investors. The Company is of the view that the relevant policies in relation to communication with investors have been properly implemented during the reporting period and are effective.

During the reporting period, the Company made amendments to some provisions of the Articles, reflecting (i) the change in the purpose of the Company; (ii) the conversion of non-listed foreign shares of the Company held by Trammo, Inc. into H Shares of the Company; and (iii) the transfer of shares of the Company held by a promoter to meet the operational and management needs of the Company and the actual situation. The amendments are conducive to enhancing corporate governance and in the interests of the Company and its Shareholders as a whole. For details, please refer to the circular dated 6 April 2023 and the Articles dated 25 May 2023 published by the Company.

10 Risk management and internal control

The Company maintains an internal audit function. In strict compliance with the relevant requirements under the Listing Rules and the Basic Standard for Enterprise Internal Control in the PRC, the Board is responsible for evaluating and determining the nature and extent of the risks that the Company is willing to take in achieving its strategic objectives, and maintaining robust and effective risk management and internal control systems. The Board, by itself and through the Audit Committee, reviews the adequacy and effectiveness of the risk management and internal control systems of the Company in order to protect the investment of Shareholders and the Company's assets. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, for which the Board only provides reasonable and not absolute assurance against material misstatement or loss.

The Company has developed an internal control system and a comprehensive risk management system as well as internal systems such as comprehensive risk management measures. The Company has set up a three-tier risk management structure consisting of the Risk Management Committee, the risk management department and the subsidiaries, under which, each subsidiary identifies and reports risk issues; the risk management department analyses and identifies major risks of the Company and reports to the management of the Company; and the Risk Management Committee reviews the Company's monthly risk management reports, discusses and determines measures to cope with such major risks, and requires the subsidiaries to implement them for rectification. During the reporting period, focusing on the overall objectives of "strengthening internal control, preventing risks and promoting compliance", the Company continued to improve the internal control system, and strived to revise the Company's compliance management, supply chain management, HSE management system, capital management, as well as sales and trading system. With the goal of improving the authorisation system, the Company optimised the management authority and process of the headquarter and its subsidiaries, further improved the responsibility list version 2.0 of business approval process, focused on key fields, units and positions, and incorporated the requirements of integrity risk control into the responsibility list version 2.0 to promote the reciprocity of power and responsibility, etc. While coordinating prevention and mitigation of major business risks, the Company continued to refine its monthly reporting mechanism by reporting to the Board and management of the Company the key control risks. The internal audit department of the Company plays an important role in supporting the Board, the management and the risk management and internal control systems. During the year, the Board reviewed the risk management and internal control systems of the Company, including financial, operational and compliance control. The Audit Committee of the Board was briefed three times on the risk management and internal control systems of the Company, and held discussions in this regard. The Company considers that its risk management and internal control systems are effective and adequate.

The Company improved its information disclosure management and spokesperson system in compliance with the requirements and required procedures as set out in the Listing Rules, clarifying the department responsible for disclosure of inside information to ensure timely and compliant information disclosures.

The Company has adopted a dividend policy, further information of which is set out in the "Report of Directors" section of this annual report.

The Board concurs with the management's confirmations that for the year ended 31 December 2023, (1) the risk management and internal control systems of the Company were effective and adequate; (2) the Company has adopted necessary control mechanisms to monitor and correct non-compliances; and (3) the Company has complied with the requirements of the Corporate Governance Code in respect of risk management and internal control systems.

11 Auditors and fees

During the reporting period, BDO Limited and BDO China Shu Lun Pan Certified Public Accountants LLP were appointed as the overseas and domestic auditors of the Company respectively. In 2023, the audit fees amounted to RMB2.97 million, which has been approved by the Audit Committee. In addition, the Company paid BDO a fee of RMB85,400 for the provision of tax advisory service.

The responsibility statement of the Company's external auditor on the consolidated financial statements is set out on pages 67 to 69 of this annual report.

12 2023 Annual review on non-competition

On 7 September 2006, the Company and CNOOC entered into a non-compete agreement, pursuant to which CNOOC (a) agreed that it will not, and will procure its subsidiaries not to, directly or indirectly, engage in businesses that compete or are likely to compete with the Company's core businesses in China or abroad; and (b) granted the Company the first transaction right, first option and preemptive right to acquire any competing businesses.

On 22 March 2024, the Company and CNOOC held the 2023 annual review meeting on non-competition and reviewed the investment opportunities obtained during the reporting period by CNOOC and its subsidiaries (excluding the Group) which compete or are likely to compete with the Group's core businesses.

CNOOC and its subsidiaries (excluding the Group) have made a declaration confirming that they have fully complied with such undertakings. The independent non-executive Directors of the Company have also reviewed whether CNOOC and its subsidiaries (excluding the Group) have fully complied with the undertakings and are satisfied that CNOOC and its subsidiaries (excluding the Group) have fully complied with the undertakings.

13 Directors' responsibilities for the consolidated financial statements

The Directors acknowledge that they are responsible for the preparation of the Group's consolidated financial statements, and that they should evaluate the Company's financial position, results, cash flow position and prospects for the reporting period in a lucid and comprehensive manner based on such consolidated financial statements and the timely and appropriate data provided by the management. The Board undertakes that, save as those disclosed by the Company in this annual report, there is no major uncertain event or circumstances that may significantly affect the Company's ability to continue as a going-concern.

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Directors, Supervisors and Senior Management

Executive Directors

①Mr. **Hou Xiaofeng**, born in 1976, graduated from Hefei University of Technology with a bachelor's degree in computer and applications in July 1997. In December 2007, he obtained a master's degree in finance from Capital University of Economics and Business. He was qualified as a senior engineer. From July 1997 to September 2001, he worked successively as a software engineer and network manager in information management department of CNOOC. From September 2001 to March 2015, he served successively as the information technology director, chief technology officer and chief engineer of CNOOC's information management department, and during this period, he worked concurrently as a member of CNOOC's ERP project preparation team and manager of the technology team from June 2004 to November 2009. From March 2015 to March 2018, he held the positions of chief engineer of information department of CNOOC and that of CNOOC Limited as well as a team leader of CNOOC's "Internet+" joint work group,responsible for e-commerce, big data and network security, etc. From March 2018 to May 2020, he served as a member of CCP Standing Committee and Deputy Governor of Gannan Tibetan Autonomous Prefecture in Gansu Province, responsible for industry and informatization, agriculture and rural development, animal husbandry and veterinary medicine, supply and sale, and agricultural machinery, etc. He was also appointed as an executive Director, the chief executive officer and president of the Company in August 2020. From August 2020 to July 2023, he served as a director and the chairman of Hubei Dayukou Chemical Co., Ltd.. He was appointed as a director of CBC (Canada) Holding Corp. in August 2020 and the chairman in April 2022. He was appointed as a director of CNOOC Kingboard Chemical Limited in August 2020 and the chairman in January 2022. From March 2021 to July 2021, he studied in the 49th young cadre training course of Party School of the Central Committee of the CPC. He has acted as the Chairman of the Company and presided over the work since March 2022.

②Mr. **Li Ruiqing**, born in 1966, graduated from the Department of Management Engineering of China University of Petroleum (East China) in July 1988 with a bachelor's degree of engineering majoring in management engineering. He is a senior economist. From July 1988 to April 1995, he served successively as the officer-in-charge of the operation office and the secretary of the plant office at the oil production plant No. 2 of Henan Petroleum Exploration Bureau (Henan Oilfields), a project management supervisor at the development and production department and a development management supervisor at the oil production division and the secretary of the plant office of Henan Oilfields, and a deputy head of project development department and the head of the investment development department at the external economic and technology coordination division of Henan Oilfields. From April 1995 to November 1998, he worked successively as a manager of the business planning department and the business management of Nanyang Hua'ao Industrial Company under Henan Oilfields, and a deputy general manager of Henan Huayou Enterprise Group Company. From November 1998 to April 2003, he was successively an office research manager of China National Offshore Oil Nanhai Eastern Co. Ltd. and an assistant to manager and a deputy manager of Shenzhen Nanhai Eastern Oil Shekou Base Company. He served as an equity management manager at the asset management department of China National Offshore Oil Corporation from April 2003 to December 2004, a deputy general manager at the Petrochemical Branch of CNOOC Oil Base Group Ltd. from December 2004 to September 2007, and a deputy general manager of Tianjin Binhai Hi-Tech Zone Development and Construction Co., Ltd. from September 2007 to December 2009. He worked with CNOOC Energy Technology & Services Limited successively as the general manager of the production and operation department and the business management department (technology development



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department) from December 2009 to May 2014. From May 2014 to March 2022, he worked with CNOOC successively as a deputy general manager and an acting general manager at the preparation team for the Datong coal-based gas project. He has served as the vice president of the Company from March 2022 to March 2023. He was appointed as an executive Director of the Company in May 2023.

Non-executive Directors

③Ms. **Shao Lihua**, born in 1975, graduated from the Finance Department of Dongbei University of Finance and Economics in July 1997, with a bachelor's degree in economics, majoring in monetary banking. In January 2016, she obtained a master's degree in engineering from Beihang University, majoring in software engineering, and is a senior economist. From July 1997 to July 2003, she served as an assistant economist and an economist at Engineering Economy Department of CNOOC Research Center. From July 2003 to August 2004, she served as the supervisor of engineering and economics at Engineering Department of the Fujian LNG Station Line Project of CNOOC Gas and Power Group Ltd. (中海石油氣電公司). From August 2004 to August 2010, she successively served as planning and budget supervisor and planning and budget manager, and deputy manager at Planning and Finance Department of CNOOC Oil & Gas Development and Utilization Company (中海油氣開發利用公司). From August 2010 to August 2016, she successively served as the manager of planning and management position at Planning and Management Department of CNOOC Refinery & Petrochemicals and Sales Division, the head of Industrial Planning and New Project Management Department and the head of Industrial Development Department at Refinery & Petrochemicals and Sales Division of CNOOC. From August 2016 to November 2017, she served as the head of the Industrial Coordination Division and the head of the Industrial Investment Division at Strategy and Planning Department of CNOOC. From November 2017 to October 2022, she served as the head of Industrial Investment Division at Strategy and Planning Department of CNOOC. Since October 2022, she has been serving as the deputy general manager at Strategy and Planning Department of CNOOC (CNOOC Limited). She was appointed as an non-executive Director of the Company in December 2023.

④Mr. **Yang Dongzhao**, born in 1974, graduated from the Medicine Department of Tongji Medical College in September 1998, with a bachelor's degree in medicine, majoring in clinical medicine. In December 2015, he obtained a master's degree in safety engineering from China University of Petroleum – Beijing and is a senior engineer. From September 1998 to November 2006, he served as a safety coordinator of Health, Safety and Environment Department at CACT Operators Group (CACT作業者集團). From November 2006 to June 2007, he served as a senior safety consultant of the Penglai Phase II Project of ConocoPhillips Company (康菲公司) at Shenzhen Safeway Technology Service Company Limited (深圳市賽爲安全技術服務有限公司). From June 2007 to August 2009, he served as safety supervisor of drilling and completion at the Drilling and Completion Department of the Shenzhen Branch of CNOOC Limited. From August 2009 to May 2012, he successively served as supervisor of evaluation and senior supervisor of security at Health, Safety and Environment Department of CNOOC China Limited. From May 2012 to November 2017, he served as deputy director of safety supervision, deputy director of quality management and midstream/downstream safety, head of quality and pipeline tank inspection, and head of emergency management at Quality, Health, Safety and Environment Department of CNOOC. From November 2017 to March 2021, he served as head of emergency management and head of midstream/Downstream safety at Quality, Health, Safety and Environment Department of CNOOC (CNOOC Limited). Since March 2021, he has been serving as the deputy general manager at Quality, Health, Safety and Environment Department of CNOOC (CNOOC Limited). He was appointed as an non-executive Director of the Company in December 2023.

Independent non-executive Directors

⑤Mr. **Yu Changchun**, born in 1969, graduated with a bachelor's degree from Sichuan Normal College majoring in chemistry in 1990. He obtained a master's degree of physical chemistry from Lanzhou Institute of Chemical Physics, Chinese Academy of Sciences in 1993, and a doctor's degree of physical chemistry from the OSSO State Key Lab (OSSO國家重點實驗室) of Lanzhou Institute of Chemical Physics, Chinese Academy of Sciences in 1997 and obtained the assistant professor title afterward. From April 1997 to December 2002, Mr. Yu Changchun worked as a teacher in the Chemical Industry Institute of China University of Petroleum (Beijing). He was a visiting scholar in University of British Columbia, Canada from January 2003 to January 2004; From February 2004 to February 2012, he worked as a secretary to Academic Committee of China National Petroleum Corporation Catalyst Key Lab of China University of Petroleum (Beijing) and a teacher of the School of Chemical Engineering of China University of Petroleum

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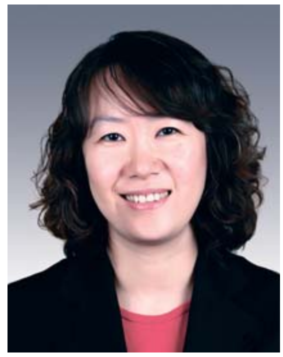

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(Beijing). He is a member of the Committee for Affairs of New Energy Research Center in China University of Petroleum (Beijing) and a teacher of this institute from March 2012 to December 2018. He is a teacher of College of New Energy and Materials in China University of Petroleum (Beijing) since January 2019. Mr. Yu Changchun's main research areas include conversion and utilisation of natural gas, catalytic conversion of light hydrocarbons, Fislcher-Tropsch synthesis, methanol and DME to chemicals, and substitute natural gas synthesis. He was appointed as an independent non-executive Director of the Company in May 2016.

⑥Mr. **Lin Feng**, born in 1965, graduated from the Law Department of Fudan University with a bachelor's degree in 1987. He obtained a master's degree in law from the University of Wellington, New Zealand in 1992, and a doctorate in law from Peking University in 1998. He has been teaching at the City University of Hong Kong since 1992. Currently, he serves as a professor and dean of the School of Law of the City University of Hong Kong, and the chairman of the Centre for Judicial Education and Research cum Identification of Hong Kong Law. He is a practising barrister in Hong Kong, a councilor of the China Law Society, a councilor of the Chinese Judicial Studies Association, a councilor of the Hong Kong Mental Health Foundation, and a member of the Independent Police Complaints Council. Mr. Lin's research areas mainly cover comparative constitutional law, Hong Kong Basic Law, Administrative Law and Environmental Law. He previously served as the editor-inchief of Asia Pacific Law Review, a member of the Law Reform Commission of Hong Kong, a council member of the Bar Council of the Hong Kong Bar Association, a member of the Board of Review (Inland Revenue Ordinance) and a member of the Telecommunications Appeal Board. He was appointed as an independent non-executive Director of the Company in May 2021.

⑦Mr. **Xie Dong**, born in 1980, obtained his bachelor's degree in Economics in 2003 and master's degree in World Economics from Nankai University in 2006, respectively. He has over 17 years of professional experience in sectors of finance, auditing, investment and financing, and capital markets, and is the holder of Chinese Institute of Certified Public Accountants (CICPA), Certified Internal Auditor (CIA), Certified Tax Agent (CTA) and Chinese Legal Professional Qualification. From June 2006 to October 2007, he worked as the auditor of the global financial services department of Ernst & Young Hua Ming LLP; from November 2007 to March 2010 and from October 2010 to August 2014, he served as the deputy director of M&A (Mergers and Acquisitions) Financial Advisory Services Department of Deloitte; from April 2010 to September 2010, he was appointed as Vice President of direct investment department of CCB International (China) Limited; from September 2014 to December 2018, he served as the chief financial officer and company secretary of FinUp Finance Technology Group (Holding) Limited; from January 2019 to March 2020, he served as the chief financial officer of Renbuy Technology Holding (任買科技控股); from March 2020 to December 2020, the partner (capital market services) of PGA Consulting Limited. He has served as the chief financial officer and the director of Quantasing Group Limited (NASDAQ: QSG) since January 2021 and June 2022, respectively. He was appointed as an independent non-executive Director of the Company in May 2021.

Supervisors

⑧Mr. **Zhang Bing**, born in 1971, graduated from the Luoyang Foreign Language University in July 1993, with a bachelor's degree in arts. In June 2003, he obtained a master's degree in International Law from the University of International Business and Economics. He possesses the title of Translator (Intermediate). From September 2003 to March 2010, he served as contract legal advisor and overseas cooperation manager at Legal Department of CNOOC China Limited. From March 2010 to August 2012, he served as the head of the Cooperation and Mergers Division at Legal Department of CNOOC. From August 2012 to June 2018, he served as manager and chief legal advisor at Legal Department of CNOOC International Limited (中国海洋石油国际公司). Since June 2018, he has been serving as the deputy general manager at Legal Compliance Department, deputy director at Legal Support Center, and deputy general manager at Legal and Foreign Affairs Department of CNOOC (CNOOC Limited). He was appointed as a supervisor representing the shareholders of the Company and the chairman of the Supervisory Committee of the Company in December 2023.

⑨Mr. **Li Xiaoyu**, born in 1958, graduated from Shandong University, Department of Chemistry with a bachelor's degree of science majoring in Organic Chemistry in 1981. He graduated from the Major of Polymers Materials of the Department of Polymers of Beijing Institute of Chemical Technology (now known as Beijing University of Chemical Technology, (BUCT)) with a master's degree of engineering in 1985. He graduated from the Major of Materials Science of the Department of Materials Science of BUCT with a doctoral degree (on-the-job) of engineering and title of professor in 1998. From May 1985 to June 1987, he was a teaching assistant in the Department of


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Applied Chemistry of BUCT; from July 1987 to June 1994, he was a lecturer in the Department of Applied Chemistry and Department of Polymers of BUCT; from July 1994 to June 1998, he was an associate professor of the Department of Polymers of BUCT; from July 1997 to June 1999, he was an deputy dean of the College of Materials Science of BUCT. In July 1998, he was served as the professor and Ph. D. candidate supervisor of the College of Materials Science of BUCT, and in May 2023, he retired and rehired to continue working as a teacher; from July 1999 to January 2003, he served as the director of Science and Technology Department in BUCT. In May 2015 he was appointed as an independent Supervisor of the Company.

⑩Ms. **Liu Lijie**, born in 1970, graduated from China Finance Institute (now known as School of Banking and Finance, University of International Business and Economics) in 1993 with a bachelor's degree majoring in International Finance, and was later awarded the title of senior accountant and she is a certified public accountant in China. Ms. Liu worked with the Finance Department of China National Chemical Construction Corporation ("CNCCC") from August 1993 to February 2003. She was the head of the import and export accounting division of the Finance Department of CNCCC from March 2003 to June 2006; deputy manager of the Finance Department of CNCCC Fine Chemical Industry Co., Ltd. (中化建精細化工有限責任公司) from July 2006 to May 2007; assistant to the general manager of the Finance Department of CNCCC from June 2007 to June 2008; assistant to the general manager of the Financial Management Department of the Company from July 2008 to August 2009; the deputy general manager of the Treasury Management Department of the Company from September 2009 to August 2012; the general manager of the Audit and Supervising Department of the Company from September 2012 to December 2015; the general manager of the Audit Department of the Company since December 2015. She was elected as the Supervisor Representing the Employees at the Employee Representative Meeting of the Company held in September 2012, February 2015, January 2018, January 2021 and February 2024 , respectively, and has been the chairman of the supervisor committee of CNOOC Tianye Chemical Limited from October 2014 to February 2023. From May 2019 to July 2021, she has been served as the chairperson of the supervisory committee of Hubei Dayukou Chemical Co., Ltd..

Senior management

⑪Mr. **Kuang Xiaobing**, born in 1967, obtained a master's degree in corporate management from the Beijing Business College in 1997. He was qualified as a senior economist. From September 1986 to August 1991, he studied Application of Nuclear and Thermo Energy in the Department of Engineering Physics, Tsinghua University. From August 1991 to September 1994, he worked as assistant engineer in Second Engineering Institute of Nuclear Industry(核工業第二研究設計院). From September 1994 to June 1997, he obtained a master's degree from his study in corporate management in the Beijing Business College. From June 1997 to May 1998, he worked as an economist of finance department of CNOOC. From May 1998 to December 2000, he served as a financial economist under the Nanhai Petrochemical Project Group of CNOOC Limited . From December 2000 to August 2005, he worked as chief of financing of finance department in CNOOC and Shell Petrochemicals Company Limited. From August 2005 to December 2011, he served successively as chief of corporate finance analysis and management of the fund and financing department, senior chief of risk management of investment, financing and debt, director of financing and capital market division of CNOOC China Limited. From December 2011 to October 2016, he served successively as director of the financing division of the fund department, director of the limited financing and capital market division, deputy director of the financing division of CNOOC. From October 2016 to November 2022, he served as deputy general manager of fund department of CNOOC (CNOOC Limited). He was appointed as a vice president, the chief financial officer, the chief legal adviser and the chief compliance officer of the Company in November 2022. He was appointed as the Joint Company Secretary in January 2023.

⑫Mr. **Liu Xiaowei** was born in 1973 and graduated from the Xiangtan University in July 1994 with major in Chemical Engineering. He received the bachelor's degree in petroleum engineering from the China University of Petroleum (East China) in July 2004, and the master's degree in engineering in the field of control engineering from the Huazhong University of Science and Technology in December 2009, and evaluated as senior engineer professional and technical positions. From July 1994 to March 2001, he worked as an operator in Weizhou 11-4 oilfield and the production supervisor in Weizhou terminal of Western South China Sea Oil Mining Company (南海西部採油公司). From March 2001 to June 2006, he worked as the production representative in the Dongfang terminal of Zhanjiang Branch of CNOOC China Limited and the director of Dongfang terminal of operation zone of Dongfang Gas Field. From June 2006 to July 2008, he worked as a project manager of Huizhou Auxiliary Project (惠州助劑項目) of Oilfield Technology Services Co. Ltd. of CNOOC Oil Base Group (中海石油基地集團採油技術服務分公司). From July 2008 to May 2016, he worked as the director of Dongfang Gas Field and the manager of energy saving management in the production department of Zhanjiang Branch of CNOOC China Limited. From May 2016 to October 2019, he worked as the head of Beihai Office and party branch secretary of Western South China Sea Company (南海西部公司), as well as well the authorized executive director and general manager (legal representative) of Beihai Offshore Energy Co. Limited (北海近海能源有限公司). From October 2019 to October 2021, he worked as the deputy head of the Discipline Inspection Team of the Party Committee in China National Offshore Oil Corporation in Zhanjiang Branch of CNOOC China Limited and concurrently served as the director of the Discipline Inspection Office of the Party Committee during November 2019 and October 2021. From October 2021 to March 2022, he was the head of the Discipline Inspection Team of the Party Committee of CNOOC Refinery Co., Ltd. in CNOOC Ningbo Daxie Petrochemical Co., Ltd.. From March 2022 to June 2023, he served as the leader of the disciplinary inspection team of the party committee of CNOOC in China BlueChemical Ltd.; since June 2023, he has been the secretary of disciplinary committee of the Company.

⑬Mr. **Tang Xiangyang**, born in 1970, graduated from Shenyang University of Chemical Technology majoring in inorganic chemical engineering from chemical engineering in July 1992. He graduated from Zhongnan University of Economics and Law with a bachelor's degree in business administration and a master's degree in management in December 2007. He was qualified as a professional and technical of senior engineer. From August 1992 to June 1999, he successively served as an operator, deputy team leader and team leader of urea department of Hainan Fudao Chemical Industry Corporation. From June 1999 to December 2001, he successively served as a technician and deputy director of ammonia processing department, and deputy manager of urea department of Hainan Fudao Chemical Industry Co., Ltd.(海南富島化工有限公司). From January 2002 to November 2004, he successively served as a deputy director and director of urea workshop of CNOOC Fudao Limited. From November 2004 to April 2010, he successively served as an office general manager and director of CNOOC Chemical limited. From April 2010 to August 2015, he successively served as the deputy general manager, office director, secretary of disciplinary committee and chairman of the labor union of Hainan Base and CNOOC Fudao limited. From August 2015 to August 2020, He served as the general manager of CNOOC Huahe Coal Chemical Limited. From August 2020 to May 2023, He served as the general manager of Hubei Dayukou Co., Ltd.. He was appointed as a vice president and Safety Director of the Company in March 2023. He was appointed as a Director and the chairman of Hubei Dayukou Chemical Co., Ltd. In July 2023.

⑭Ms. **Ng Sau Mei**, born in 1977, graduated with a bachelor's degree from City University of Hong Kong in 2001 majoring in laws and obtained a master's degree in laws from University of London in the United Kingdom in 2017. She became an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom in 2007 and a fellow member in 2019. She is a director of the Listing Services Department of TMF Hong Kong Limited and is responsible for provision of corporate secretarial and compliance services to listed company clients. She currently serves as the joint company secretary for various companies listed on the Main Board of the Stock Exchange, including China Reinsurance (Group) Corporation (stock code: 1508), The People's Insurance Company (Group) of China Limited (stock code: 1339) and China Oilfield Services Limited (stock code: 2883). She was appointed as the Joint Company Secretary in January 2023.

Report of Directors

The Directors of the Company are pleased to present the report of Directors and the audited consolidated financial statements for the year ended 31 December 2023.

Principal activities

The Company and its subsidiaries (the "Group") and associates are principally engaged in the development, production and sale of fertilizers (mainly urea, phosphate fertilisers and compound fertilisers) and chemical products (mainly methanol and acrylonitrile).

Results

Profit of the Group for the year ended 31 December 2023 and the financial position of the Company and the Group as at that date are set out on pages 60 to 67 of the consolidated financial statements for the year ended 31 December 2023.

Business review

A review of the business of the Company and a discussion and analysis of the Company's performance during the year, an analysis using financial key performance indicators, main risks and uncertain factors faced, and the material factors underlying its results and financial position are provided in the Management Discussion and Analysis on pages 6 to 21 and Independent Auditors' Report on page 56 to 59, respectively. Particulars of the important events affecting the Company that have occurred since the end of the financial year of 2023 are set out in the Management Discussion and Analysis on pages 6 to 21 and Note 49 to the consolidated financial statements. The future development of the Company's business is discussed throughout this annual report including the CEO's Report on pages 4 to 5 and Management Discussion and Analysis on pages 6 to 21. In addition, details regarding the Company's performance on environmental and social-related key performance indicators and policies are provided in the Environmental, Social and Governance Report of the 2023 Environmental, Social, and Governance Report separately issued by the company; compliance with relevant laws and regulations which have significant impacts on the Company are provided in the "compliance with laws and regulations" of this Report of Directors; and an account of the Company's relationships with its employees, customers, suppliers, shareholders, etc. are disclosed, respectively, in "human resources and training" of Management Discussion and Analysis, Environmental, Social and Governance Report of the 2023 Environmental, Social, and Governance Report separately issued by the company, and "major customers and suppliers" and "connected transactions" of this Report of Directors. The above contents constitute an integral part of this Report of Directors.

Dividends and Relevant Policies

The Board recommended the payment of final dividends of RMB954.3 million for the year of 2023, in aggregate RMB0.207 per share (tax inclusive). The proposed dividend for the year will be subject to the approval of the shareholders of the Company at the forthcoming annual general meeting.

Dividends to holders of domestic shares are payable in Renminbi whereas dividends to holders of H shares are payable in Hong Kong Dollars. The value of Hong Kong Dollar shall be calculated on the basis of the mid-price of the average official exchange rate of Renminbi and Hong Kong Dollar, as quoted on the website of the People's Bank of China (the "PBOC"), for the 7 business days before the date of declaration of the dividends.

The Company has adopted the dividend policy (the "Dividend Policy"), whereby the shareholders of the Company are entitled to the dividends declared by the Company. The payment and any amount of dividends shall be formulated at the discretion of the Board. Any dividend distribution is subject to the approval by the general meeting of the Company. Pursuant to the Company Law of the PRC and the Articles of Association of the Company, all shareholders of the Company shall be equally entitled to dividends and distribution. Dividends paid to holders of Domestic Shares, if any, shall be calculated and declared and payable in Renminbi. Cash dividends paid to holders of H Shares, if any, shall be calculated and declared in Renminbi and payable in Hong Kong Dollars.

Pursuant to the applicable requirements of the Company Law, the Company may only distribute dividends upon making allowance for the followings:

- cumulative losses in previous years, if any;
- appropriation to the statutory reserve fund (10% of the Company's profit after tax shall be appropriated for statutory reserve fund every year until the cumulative amount of statutory reserve fund exceeds 50% of the registered capital of the Company);
- discretionary reserve fund could be appropriated upon approval by the general meeting of the Company and appropriation to the statutory reserve fund.

In addition, the declaration of dividends shall be formulated at the discretion of the Board. Prior to the declaration or recommendation of dividends, the Board shall consider the following factors:

- general business conditions and strategies of the Company;
- cash flow of the Company;
- financial results of the Company;
- capital requirements of the Company;
- shareholders' interests of the Company;
- taxation;
- legal and statutory constraints; and
- any other factors deemed to be relevant by the Board of the Company.

The Board will review the Dividend Policy on a continuous basis, and reserves the sole and absolute rights to update, amend and/or revise the Dividend Policy at any time. The Dividend Policy shall not constitute the legal binding commitment to distribute dividends of any specific amount by the Company, and/or any obligation of the Company to distribute dividends at any time or from time to time.

Subsidiaries

Particulars of the major subsidiaries of the Company as at 31 December 2023 are set out in Note 46 to the consolidated financial statements.

Summary of financial information

As set out on page 1 of this annual report, the summary of the published results and assets and liabilities of the Group for the last five financial years does not constitute an integral part of the audited consolidated financial statements.

Property, plant and equipment

Details of movements in property, plant and equipment of the Company and the Group during the year are set out in Note 17 to the consolidated financial statements.

Share capital

As at 31 December 2023, the total share capital of the Company was RMB4,610,000,000 divided into 4,610,000,000 ordinary shares with a nominal value of RMB1 per share, of which 2,813,999,878 shares were domestic shares and the remaining 1,796,000,122 shares were H shares, accounting for approximately 61.04% and 38.96% respectively of the total issued share capital of the Company.

Details of the share capital structure of the Company as at 31 December 2022 are set out in Note 33 to the consolidated financial statements.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Articles and the PRC laws.

Debentures issued

No debentures were issued by the Group during the year ended 31 December 2023.

Equity-linked agreements

No equity-linked agreements were entered into by the Group during the year ended 31 December 2023.

Permitted indemnity provision

The Company has arranged appropriate liability insurance to indemnify our Directors and senior officers of the Group and the persons who served as the Directors of the Group in 2023 for their liabilities arising out of corporate activities.

Purchase, sale or redemption of listed securities of the Company

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2023.

Reserves

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

Distributable reserves

As at 31 December 2023, the reserves available for distribution of the Company was RMB12,762.21 million.

Charitable donations

During the year, the Group made charitable donations of RMB3.0 million in total.

Major customers and suppliers

During the reporting period, sales to the Group's top five customers accounted for17.21% of the total sales of the year and sales to the largest customer included therein amounted to 5.68% of the total sales of the year. Purchases from the Group's top five suppliers accounted for 50.57% of the total purchases for the year and purchases from the largest supplier accounted for 28.69% of the total purchases for the year.

The Group purchased raw materials from certain companies under the common control of the same ultimate holding company as the Company, details of which are set out in "Connected Transactions" below. Save as aforesaid, none of the Directors or any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interests in any of the Group's top five customers and top five suppliers.

Directors and Supervisors

The Directors and Supervisors of the Company as at 31 December 2023 were (Note 1):

Executive Director:	
Hou Xiaofeng	Re-appointed on 27 May 2021
Li Ruiqing	Appointed on 25 May 2023
Non-executive Directors:	
Shao Lihua	Appointed on 22 December 2023
Yang Dongzhao	Appointed on 22 December 2023
Independent Non-executive Directors:	
Yu Changchun	Re-appointed on 27 May 2021
Lin Feng	Appointed on 27 May 2021
Xie Dong	Appointed on 27 May 2021
Supervisors:	
Zhang Bing	Appointed on 22 December 2023
Li Xiaoyu	Re-appointed on 27 May 2021
Liu Lijie	Elected at a meeting of the employee representatives held on 25 January 2021

Note 1: Mr. Lizhi ceased to be the executive Director of the Company with effect on 28 March 2023 due to other work arrangements; Mr. Huanghulong and Mr Zhao Baoshun ceased to be the non-executive Director of the Company with effect on 22 December 2023 due to the reach of retirement age; Mr. Liu Jianyao ceased to be the supervisor for the supervisory committee of the Company due to other work commitments.

Note 2: Ms. Liu Lijie was re-elected as the supervisor representing the employees at the meeting of the employee representatives held on 1 February 2024.

Pursuant to the Articles, all Directors and Supervisors are appointed for a term of three years or until the new Directors and Supervisors are elected at a general meeting of the Company to be held in the year in which the term of office expires (save for the Supervisor representing the Company's employees), and may serve consecutive terms upon re-election. However, if the Directors and Supervisors are not re-elected prior to the expiry of their term of office, the existing Directors and Supervisors shall discharge their duties and responsibilities until new Directors and Supervisors are elected at a general meeting of the Company to be held in the year in which the term of office expires in accordance with the provisions of laws, regulations and the Articles, save that the Supervisor representing the Company's employees shall be elected by the Company's employee representatives.

The Company has received the annual confirmations of their independence from each independent non-executive Director as at the date of this annual report and considered them to be independent from the Company.

Biographies of Directors, Supervisors and senior management

Biographical details of the Directors, Supervisors and senior management of the Company are set out on pages 33 to 37 of this annual report.

Service contracts of Directors and Supervisors

At the annual general meeting of the Company held on 27 May 2021, a new session of Directors and Supervisors (save for the Supervisor representing the Company's employees) have been elected. Each of the Directors and Supervisors elected on 27 May 2021 has entered into a service contract with the Company for a term of office of three years, or more precisely (save for the Supervisor representing the Company's employees) from 27 May 2021 until new Directors and Supervisors (save for the Supervisor representing the Company's employees) are elected at a general meeting of the Company to be held in the year in which the term of office expires, and may serve consecutive terms upon re-election.

Mr. Li Ruiqing was appointed as an executive Director of the Company at the annual general meeting convened on 25 May 2023. Ms. Shao Lihua and Mr.Yang Dongzhao were appointed as the non-executive Directors of the Company at the extraordinary general meeting convened on 22 December 2023. They entered into service contracts with the Company, and their terms of office shall begin from the date of approval of their appointment at the annual general meeting or the extraordinary general meeting until a new session of Directors are approved at the annual general meeting for 2023 by the shareholders, upon which they are eligible for re-election.

Ms. Liu Lijie was elected as the supervisor representing the employees at the employee representative meeting of the Company held on 25 January 2021. She entered into a service contract with the Company and her term of office shall be three years and last until a new Supervisor Representing the Employees of the Supervisory Committee is elected at the employee representative meeting of the Company in the year during which her term of appointment concludes, upon which she is eligible for re-election. Ms. Liu Lijie was re-elected as the supervisor representing the employees at the employee representative meeting of the Company held on 1 February 2024. She entered into a service contract with the Company and her term of office shall be three years and last until a new Supervisor Representing the Employees of the Supervisory Committee is elected at the employee representative meeting of the Company in the year during which her term of appointment concludes, upon which she is eligible for re-election. Mr.Zhang Bing was appointed as a supervisor representing the Shareholders of the Company at the extraordinary general meeting convened on 22 December 2023. He entered into a service contract with the Company and his term of office commenced from the date of approval of his appointment by the Shareholders at the extraordinary general meeting and shall last until a new session of the supervisors is approved by the Shareholders at the 2023 annual general meeting of the Company, upon which he is eligible for re-election.

No Director or Supervisor has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Remunerations of Directors and Supervisors

Details of the remunerations of current and former Directors and Supervisors are set out in Note 12 to the consolidated financial statements.

Remuneration policy

The remunerations of the Directors are reviewed from time to time by the Remuneration Committee with reference to their professional qualifications, responsibilities, experiences, performances and the Group's operating results.

Interests of Directors and Supervisors in contracts

None of the Directors and Supervisors nor any entity connected with the Director or the Supervisor had a material interest, either directly or indirectly, in any material contract, transaction or arrangement in relation to the business of the Group to which the Company, its holding Company, or any of its subsidiaries or fellow subsidiaries was a party subsisting at the end of 2023 or subsisted at any time during the year.

Interests and short positions of Directors, Supervisors and chief executive in shares, underlying shares and debentures

As at 31 December 2023, to the best knowledge of the Directors and chief executives of the Company, none of the Directors, Supervisors, chief executive nor their associates had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or the associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed to have or taken into have under such provisions of the SFO), or to be entered into the register kept pursuant to Section 352 of the SFO, or to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in the Listing Rules, except that the associate of Ms. Liu Lijie, a Supervisor of the Company, held 220,000 H shares of the Company.

Interests of substantial shareholders

As at 31 December 2023, to the best knowledge of any of the Directors and chief executive of the Company, pursuant to the register kept under Section 336 of the SFO, the interests and short positions in any shares and underlying shares of the Company of substantial shareholders and other persons (excluding Directors, Supervisors and chief executives of the Company or their respective associates) are set out as below:

Names of substantial shareholders	Capacity	Number of Shares held (shares)	Class of shares	Approximate percentage of shareholding in domestic shares / H shares (as appropriate) (%) (Note 1)	Approximate percentage of total shares in issue (%)
China National Offshore Oil Corporation (Note 2)	Beneficial owner	2,738,999,512(L)	Domestic Shares	97.33(L)	59.41(L)
MGD Holdings (Note 3)	Interests in controlled corporation	277,062,000(L)	H Shares	15.43(L)	6.01(L)
Hermes Investment Management Ltd	Investment manager	201,156,075(L)	H Shares	11.20(L)	4.36(L)
Hermes Investment Funds PLC	Beneficial owner	143,333,345(L)	H Shares	7.98(L)	3.11(L)
Edgbaston Investment Partners LLP	Investment manager	106,376,000(L)	H Shares	5.92(L)	2.31(L)

Notes: The letter (L) denotes long position.

(1) The calculation is based on the total issued share capital of the Company of 4,610,000,000 shares as of 31 December 2023, including 2,813,999,878 domestic shares and 1,796,000,122 H shares.

(2) Ms. Shao Lihua, the non-executive Directors, also serve as the deputy general manager at Strategy and Planning Department of CNOOC; Mr. Yang Dongzhao, the non-executive Directors, also serve as the deputy general manager at Quality, Health, Safety and Environment Department of CNOOC.

(3) MGD Holdings indirectly holds these shares through its controlled corporation, namely Daher Capital LTD and DFG LTD.

Save as disclosed above, to the best knowledge of any of the Directors and chief executive of the Company, as at 31 December 2023, no person (other than Directors, Supervisors and chief executive of the Company or their respective associates) had any interests and short positions in the shares and underlying shares (as the case may be) of the Company which were required to be entered into the register kept pursuant to Section 336 of the SFO.

Management contract

No contracts in respect of the management or administration of the whole or any substantial part of the business of the Company and its subsidiaries were entered into or subsisted during the year.

Connected transactions

Details of the connected transactions of the Group in 2023 are as follows:

1. **Investment in the Trust Scheme Agreement with Zhonghai Trust**

   On 25 April 2023, the Company entered into the Trust Scheme Agreement with Zhonghai Trust Co., Ltd.*(中海信託股份有限公司) ("Zhonghai Trust"), pursuant to which the Company agreed to invest in the Trust Scheme established by Zhonghai Trust for a total of RMB350 million, using self-owned funds of the Company; the expected annualized rate of return of the Trust Scheme is 4.2%, terms of investment are 365 days (25 April 2023 to 24 April 2024).

   CNOOC is the controlling shareholder of the Company and Zhonghai Trust is a non-wholly owned subsidiary of CNOOC. Therefore, Zhonghai Trust is a connected person of the Company under Rule 14A.07 of the Listing Rules. The Investment under the Trust Scheme Agreement constitutes a connected transaction of the Company.

   For details of the connected transaction, please refer to the announcements of the Company dated 25 April 2023.

2. **Guangxi Fudao Capital Increase Agreement**

   On 27 December 2023, (i) CNOOC Fudao (Shanghai) Chemical Limited* (海油富島(上海)化學有限公司) ("Shanghai Fudao"), a subsidiary of the Company and one of the shareholders of Guangxi Fudao Agricultural Means of Production Limited* (廣西富島農業生產資料有限公司) ("Guangxi Fudao"), and (ii) Huiduoli AMP Co., Ltd.* (惠多利農資有限公司) ("Huiduoli AMP"), the other shareholder of Guangxi Fudao, entered into the Capital Increase Agreement. Pursuant to the Capital Increase Agreement, (i) Huiduoli AMP agreed to subscribe RMB10 million for the capital increase in cash at the price of RMB14,723,315.81 in Guangxi Fudao, of which RMB10 million will be accounted for as the registered capital of Guangxi Fudao and the remaining RMB4,723,315.81 will be accounted for as the capital reserve of Guangxi Fudao, (ii) Shanghai Fudao agreed to not exercise its pre-emptive right in relation to the Capital Increase, and (iii) upon completion of the Capital Increase, the registered capital of Guangxi Fudao will increase from RMB20 million to RMB30 million ("Capital Increase"), and Shanghai Fudao's equity interest in Guangxi Fudao will be diluted from 51% to 34% while Huiduoli AMP's equity interest in Guangxi Fudao will increase from 49% to 66%. As the Capital Increase will result in the reduction of Shanghai Fudao's equity interest in Guangxi Fudao, the Capital Increase constitutes a deemed disposal under Rule 14.29 of the Listing Rules.

   Huiduoli AMP is a substantial shareholder of a subsidiary of the Company, and therefore a connected person of the Company at the subsidiary level. For details of the connected transaction, please refer to the announcements of the Company dated 5 January 2024 and 11 January 2024.

Continuing connected transactions

Details of the continuing connected transactions of the Group which required reporting and annual review in 2023 were as follows:

Connected persons

1 **CNOOC and its associates**

CNOOC is the controlling shareholder of the Company and, therefore, CNOOC and its associates (other than the Group) are connected persons of the Company pursuant to Rule 14A.07 of the Listing Rules.

CNOOC Limited is a subsidiary of CNOOC. CNOOC Limited and its subsidiaries principally engage in exploration, development, production and sales of offshore oil and natural gas. CNOOC China Limited ("CNOOC China") is a wholly-owned subsidiary of CNOOC Limited. Both CNOOC Limited and CNOOC China are associates of CNOOC pursuant to Rule 14A.13 of the Listing Rules and, therefore, connected persons of the Company pursuant to Rule 14A.07(4) of the Listing Rules.

CNOOC Finance Corporation Limited ("CNOOC Finance") is a subsidiary of CNOOC and, therefore, an associate of CNOOC pursuant to Rule 14A.13 of the Listing Rules, and also a connected person of the Company pursuant to Rule 14A.07(4) of the Listing Rules.

CNOOC International Financial Leasing Limited* (中海油國際融資租賃有限公司) ("CNOOC Leasing") is a wholly-owned subsidiary of CNOOC and, therefore, an associate of CNOOC pursuant to Rule 14A.13 of the Listing Rules, and a connected person of the Company pursuant to Rule 14A.07(4) of the Listing Rules.

CNOOC International Trade Co. Limited* (中海油國際貿易有限責任公司) ("CNOOC International Trade'") is a wholly-owned subsidiary of CNOOC and, therefore, an associate of CNOOC pursuant to Rule 14A.13 of the Listing Rules, and a connected person of the Company pursuant to Rule 14A.07(4) of the Listing Rules.

2 **Kingboard Investment Limited ("Kingboard") and its associates**

The Company holds 60% of the equity interests in CNOOC Kingboard Chemical Limited ("CNOOC Jiantao") while Kingboard, a subsidiary of the Kingboard Chemical Group, holds the remaining 40% equity interests. CNOOC Jiantao was previously a jointly-controlled entity of the Company. From 29 April 2008, the Company gained control of CNOOC Jiantao, which became a subsidiary of the Company, with Kingboard as its substantial shareholder. Pursuant to Rule 14A.07 of the Listing Rules, Kingboard and its associates (including the parent company of Kingboard, i.e., the Kingboard Chemical Group) are connected persons of the Company.

3 Fudao Chemical

The Company indirectly holds 51% equity interests in Fudao Chemical; and CNOOC, the Company's controlling shareholder, indirectly holds 49% equity interests in Fudao Chemical. Therefore, Fudao Chemical is a connected subsidiary of the Company under Rule 14A.16 of the Listing Rules, and a connected person of the Company pursuant to Rule 14A.07(5) of the Listing Rules.

Continuing connected transactions

1 Properties Leasing Agreement

The Group is required to lease certain properties from CNOOC Group as well as lease certain properties to CNOOC Group in the ordinary and usual course of its business. On 23 October 2020, the Company entered into the Properties Leasing Agreement with CNOOC on normal commercial terms, pursuant to which:

(1) CNOOC Group may provide properties leasing services (if needed) and relevant property management services to the Group;

(2) the Group may provide properties leasing services and relevant property management services (if needed) to CNOOC Group.

The term of the Properties Leasing Agreement commenced on 1 January 2021 and will expire on 31 December 2023, but may be renewed upon agreement provided that the requirements of the Listing Rules in relation to connected transactions are complied with.

The transactions under the Properties Leasing Agreement are being conducted on normal commercial terms and conditions which shall not be less favorable to the Group than those offered to third parties and priced in accordance with the following pricing principles:

the property rent and management fees for each leased property shall be determined by both parties by taking into account factors including locations of the properties, the state of the properties and the property management service scope;

1. As to provision of properties leasing services and relevant property management services by CNOOC Group to the Group:

   (1) property rent

   a. shall not be higher than the property rent payable by other third party lessees of other properties owned by CNOOC Group or other owners (if any) in the same building; and

   b. shall not be higher than the property rent for the same types or levels of properties in the same area or the adjacent areas.

   (2) property management fees

   a. shall not be higher than the standard property management fees approved by the state pricing regulatory authorities (if any);

   b. shall not be higher than the property management fees payable by other third party lessees of other properties owned by CNOOC Group or other owners (if any) in the same building; and

   c. shall not be higher than the property management fees for the same types or levels of properties in the same area or adjacent areas.

2. As to the provision of properties leasing services and relevant property management services by the Group to CNOOC Group:

   (1) property rent

   a. shall not be lower than the property rent payable by other third party lessees of other properties owned by the Group or other owners (if any) in the same building; and

   b. shall not be lower than the property rent for the same or similar types of properties in the same area or the adjacent areas.

   (2) property management fees

   a. shall not be lower than the standard property management fees approved by the state pricing regulatory authorities (if any);

   b. shall not be lower than the property management fees payable by other third party lessees of other properties owned by the Group or other owners (if any) in the same building; and

   c. shall not be lower than the property management fees for the same or similar types or of properties in the same area or adjacent areas.

The Group may, from time to time when the situation requires, enter into specific agreements which will set out the specific scope of services, terms and conditions of providing such services according to the principles laid down by the Properties Leasing Agreement.

In order to effectively implement the Properties Leasing Agreement, when determining the pricing standard, to the extent practicable, the relevant department of the Group will obtain property rent and management fees payable by other third party lessees of other properties owned by CNOOC Group and other owners (if any) in the same building, and property rent and management fees for the same or similar types of properties in the same area or adjacent areas to make sure the price and terms offered by CNOOC Group are in compliance with the above-mentioned principles as set out in the Properties Leasing Agreement.

In the year of 2023, the annual expenses paid by the Group for the properties leasing and management services from CNOOC Group were RMB31,139,000 and the annual revenue for the properties leasing and management services provided by the Group to CNOOC Group was RMB6,904,000.

On 18 October 2023, the Company entered into the properties leasing agreement with CNOOC (the "2023 Properties Leasing Agreement") on substantially the same terms and conditions of the Properties Leasing Agreement, pursuant to which: (1) CNOOC Group may provide properties leasing services and relevant property management services (if needed) to the Group; and (2) the Group may provide properties leasing services and relevant property management services (if needed) to CNOOC Group. The term of the 2023 Properties Leasing Agreement commenced on 1 January 2024 and will expire on 31 December 2026. For details of the 2023 Properties Leasing Agreement, please refer to the Company's announcement dated 18 October 2023.

2 Natural Gas Sale and Purchase Agreements

(1) During the year, the Group continued to purchase natural gas pursuant to the five long-term agreements (collectively known as the "Natural Gas Sale and Purchase Agreements") entered into with CNOOC China, a wholly-owned subsidiary of CNOOC Limited:

(i) Dongfang 1-1 Offshore Gasfield Natural Gas Sale and Purchase Agreement between the Company and CNOOC China Limited dated 28 July 2003, under which CNOOC China Limited has committed to supply natural gas to the Company for Fudao Phase II Urea Plant at prices that are subject to adjustments on a quarterly basis by reference to the prices of Four Major Types of Crude Oil quoted on Platts Crude Oil Marketwire during the preceding quarter. The natural gas delivery period under this agreement is 20 years, commencing on 1 October 2003 and will expire on 30 September 2023;

(ii) Dongfang 1-1 Offshore Gasfield Natural Gas Sale and Purchase Agreement between CNOOC Jiantao and CNOOC China Limited dated 10 March 2005, under which CNOOC China Limited has committed to supply natural gas to CNOOC Jiantao for Hainan Phase I Methanol Plant at prices that are subject to adjustments on a monthly basis by reference to the prices of Four Major Types of Crude Oil quoted on Platts Crude Oil Marketwire during the preceding month. The natural gas delivery period under this agreement is 20 years, commencing on 16 October 2006 and will expire on 15 October 2026.

(iii) Natural Gas Sale and Purchase Framework Agreement between the Company and CNOOC China Limited on 1 September 2006, under which CNOOC China Limited has committed to supply natural gas for the Company's future plants. This agreement does not include the transactions conducted under the two pre-existing agreements mentioned above. Under this framework agreement, CNOOC China Limited will sell natural gas to the Company and/or the Company's subsidiaries at a price which is determined on a fair and reasonable basis (including by reference to the prices of Four Major Types of Crude Oil quoted on Platts Crude Oil Marketwire) and in accordance with normal commercial customs. The term of the agreement is of 20 years commencing on the date of the agreement. CNOOC China Limited and the Company or the Company's relevant subsidiaries will enter into separate agreements which will set out the specific terms and conditions for natural gas sales and purchases according to the principles laid down by this framework agreement.

On 26 March 2010, the Company and CNOOC China Limited entered into the Ledong Natural Gasfield Natural Gas Sale and Purchase Agreement under the Natural Gas Sale and Purchase Framework Agreement dated 1 September 2006 pursuant to which CNOOC China Limited has agreed to supply natural gas to the Company for Hainan Phase II Methanol Plant at prices of natural gas that are subject to adjustments on a quarterly basis by reference to the prices of Four Major Types of Crude Oil quoted on Platts Crude Oil Marketwire during the preceding quarter. The natural gas delivery period under this agreement is 15 years, commencing on 1 January 2011 and will expire on 31 December 2025.

(iv) Dongfang 1-1 Gasfield Phase I Adjusted Project Natural Gas Sale and Purchase Framework Agreement among the Company, CNOOC Fudao and CNOOC China Limited dated 28 October 2014 pursuant to which CNOOC China Limited has agreed to supply to the Group with natural gas as feedstock required mainly for Fudao Phase I Urea Plant. The natural gas delivery period under this framework agreement is nine years, commencing on 1 August 2015.

On 18 May 2015, the Company, CNOOC Fudao and CNOOC China Limited entered into the Dongfang 1-1 Gasfield Phase I Adjusted Project Natural Gas Sale and Purchase Agreement under the Dongfang 1-1 Gasfield Phase I Adjusted Project Natural Gas Sale and Purchase Framework Agreement dated 28 October 2014 pursuant to which CNOOC China Limited has agreed to supply to the Company with natural gas as feedstock required mainly for Fudao Phase I Urea Plant. The natural gas delivery period under this agreement commenced on 8 April 2016 and will expire at the end of operation period of the gasfield, which is expected to be on or before 31 July 2024.

(v) Dongfang 13-2 Gasfield Group Natural Gas Sale and Purchase Agreement among the Company, CNOOC Fudao and CNOOC China Limited dated 3 November 2017, pursuant to which CNOOC China Limited has agreed to supply to the Group with natural gas as feedstock required mainly for the Hainan Plants. The natural gas delivery period under this agreement is 20 years commencing on 15 November 2018.

As mentioned in the announcement of the Company dated 11 November 2022, due to the internal arrangement of CNOOC, the business entity engaging in the sales of natural gas within CNOOC changed from CNOOC China Limited, a subsidiary of CNOOC, to CNOOC International Trade, another subsidiary of CNOOC. Based on such arrangement, the above-mentioned parties (as suppliers) of Natural Gas Sale and Purchase Agreements have also been changed from CNOOC China Limited to CNOOC International Trade. Such arrangement has no adverse impact on the supply of natural gas to the Group as the source of natural gas is still within CNOOC. In addition, other terms and conditions (including the pricing terms) of the Natural Gas Sale and Purchase Agreements as mentioned in "Natural Gas Sale and Purchase Agreements" of the circular of the Company dated 13 November 2020 remain unchanged. Considering the above-mentioned factors, the Directors are of the view that such change to the Natural Gas Sale and Purchase Agreements does not constitute the material change to the terms under the Rule 14A.54(2) of the Listing Rules.

In order to ensure that the price of the natural gas under the above-mentioned natural gas sale and purchase agreements (i) to (iii) is determined on a fair and reasonable basis and in accordance with the pricing principles, the Company has adopted the following procedures when determining the price of the natural gas to be supplied to its production facilities in Hainan:

a. the designated department of the Company would monitor and obtain the prevailing average prices of the Four Major Types of Crude Oil quoted on Platts Crude Oil Marketwire on a quarterly basis in the case of Fudao Phase I Urea Plant, Fudao Phase II Urea Plant and Hainan Phase II Methanol Plant, and on a monthly basis in the case of Hainan Phase I Methanol Plant;

b. based on the average prices of the Four Major Types of Crude Oil quoted on Platts Crude Oil Marketwire obtained, the designated department would calculate the natural gas price for the preceding quarter or month (as the case may be) in accordance with the pricing principles as set out in the relevant natural gas sale and purchase agreement;

c. the designated department would then submit the natural gas price so determined to senior management of the Company for approval upon which the Company would make payment to CNOOC International Trade in accordance with the terms and conditions as set out in the relevant natural gas sale and purchase agreements.

The transactions under the Dongfang 1-1 Gasfield Phase I Adjusted Project Natural Gas Sale and Purchase Framework Agreement has been conducted on normal commercial terms and conditions which is no less favourable than those offered to independent third parties by CNOOC International Trade or CNOOC China Limited (if applicable), and has been priced in accordance with a benchmark price which is determined with reference to the exploration, development and production cost of the gasfield plus reasonable profit in principle as CNOOC International Trade or CNOOC China Limited (if applicable) is the sole supplier of natural gas in the region. The parties will negotiate for the adjustment of the benchmark price in August each year taking into consideration of the factors such as change of the pricing policy by the state pricing regulatory authorities, prices of domestic energy markets, domestic prices for natural gas and change in CPIs.

The transactions under the Dongfang 13-2 Gasfield Group Natural Gas Sale and Purchase Agreement has been conducted on normal commercial terms and conditions which is no less favourable than those offered to independent third parties by CNOOC China Limited or CNOOC International Trade (if applicable), and has been priced in accordance with a benchmark price which is determined with reference to the exploration, development and production cost of the gasfield plus reasonable profit in principle as CNOOC International Trade or CNOOC China Limited (if applicable) is the sole supplier of natural gas in the region.

The price of natural gas will be adjusted based on the benchmark price on a quarterly basis if the average price of international crude oil (Dated Brent) or the average selling price of the Company's urea or methanol of that quarter increases to a certain threshold, with the price of international crude oil (Dated Brent) and the selling price of the Company's urea or methanol each contributing an agreed percentage in the adjustment of the natural gas price. Under the current adjustment mechanism, the price of natural gas will stay unchanged if none of the average price of international crude oil (Dated Brent) or the average selling price of the Company's methanol or urea increases to a certain threshold, while the price of natural gas will increase if any of the average price of international crude oil (Dated Brent) or the average selling price of the Company's methanol or urea increases to a certain threshold.

In 2023, the aggregate costs of the Group on purchases of natural gas from CNOOC International Trade amounted to RMB3,135,157,000.

In order to secure stable and reliable supply of natural gas for the Company's production of fertilizers and chemical products and streamline the above arrangements, on 18 October 2023, the Company entered into the New Natural Gas Sale and Purchase Framework Agreement with CNOOC International Trade, pursuant to which CNOOC International Trade may sell to the Group and the Group may purchase from CNOOC International Trade natural gas, including but not limited to long-term sale and purchase of natural gas from Dongfang and Ledong natural gas fields as follows:

a. Dongfang 1-1 Natural Gasfield;

b. Ledong Natural Gas Field and Natural Gas Adjustment Project;

c. Dongfang 13-2 Gas Field Group;

d. Dongfang 1-1 Gas Field Phase I Adjusted Project (Platform F);

e. Dongfang 29-1 Gas Field;

f. Dongfang 13-3 Gas Field; and

g. Ledong 10-1 Gas Field.

The term of the New Natural Gas Sale and Purchase Framework Agreement commenced on 1 January 2024 and will expire on 31 December 2026.

The Group may, from time to time when the situation requires, enter into specific agreements which will set out the specific terms and conditions of the sale and purchase of natural gas according to the principles laid down under the New Natural Gas Sale and Purchase Framework Agreement as follow:

a. the quality of natural gas provided shall be satisfactory to the Group or shall comply with the requirements under the law (if any);

b. the price for providing natural gas must be fair and reasonable; and

c. the terms and conditions for the provision of natural gas are no less favorable to the Group than those offered by CNOOC International Trade to independent third parties.

Based on the above principles, the price of natural gas under the New Natural Gas Sale and Purchase Framework Agreement shall be determined through fair negotiation and in according with normal commercial terms or better terms, with reference to general local market conditions (including sales volume, contract term, service volume, overall customer relationship and other market factors), and shall be determined according to the mechanism and sequence as follows: (1) when relevant government authorities implement a government-prescribed price in relation to the transactions contemplated under the New Natural Gas Sale and Purchase Framework Agreement during the term of the New Natural Gas Sale and Purchase Framework Agreement, the government-prescribed price; or (ii) if there is no government-prescribed price, the market price (including local, national or international market price). The market price as provided in the New Natural Gas Sale and Purchase Framework Agreement shall be determined through fair negotiation between the Company (and its associates) and CNOOC International Trade (and its subsidiaries) according to market principles:

a. for domestic natural gas (excluding long-term domestic natural gas sales) and by-products: by referring to the relevant provincial/municipal gate station prices as prescribed and published by the NDRC from time to time on its website and the price of other competing gas sources in the local market; or

b. for long-term domestic natural gas sales: by referring to the relevant provincial/municipal gate station prices as prescribed and published by the NDRC from time to time on its website and/or the prices charged by two to three major independent suppliers (depending on whether they have operated business in the specific local market), which have similar business with CNOOC International Trade (including its subsidiaries from time to time) and offer similar products to the Company (and its associates) or other purchasers, and also taking into account factors such as the specific quality of the natural gas.

As the above pricing basis is determined based on the information available to the Company through the market (including the price information available on the government public websites), the Company is of the view that it can provide objective and specific pricing information to conduct the transactions contemplated under the New Natural Gas Sale and Purchase Framework Agreement on reasonable and fair terms and conditions.

Commencing from 1 January 2024, the existing continuing connected transactions contemplated under Natural Gas Sale and Purchase Agreements shall be conducted under the New Natural Gas Sale and Purchase Framework Agreement (including the proposed annual caps). For avoidance of doubt, no further agreement will be entered into under the Natural Gas Sale and Purchase Framework Agreement and Dongfang 1-1 Gasfield Phase I Adjusted Project Natural Gas Sale and Purchase Framework Agreement.

In order to ensure that the price of the natural gas under the New Natural Gas Sale and Purchase Framework Agreement is determined on a fair and reasonable basis and in accordance with the pricing principles, the Company has adopted the following procedures when determining the price of the natural gas to be supplied:

The transactions under the New Natural Gas Sale and Purchase Agreement have been conducted on normal commercial terms and conditions which are no less favourable than those offered to independent third parties by CNOOC International Trade, and the price shall be negotiated for the adjustment taking into account factors such as change of the pricing policy by the state pricing regulatory authorities, prices of domestic energy markets, domestic prices for natural gas and change in CPIs. The Company will collaborate with the relevant responsible department(s) and unit(s) of CNOOC International Trade to from time to time refer to (i) the relevant provincial/municipal gate station prices as prescribed and published by the NDRC from time to time on its website and the price of other competing gas sources (if any) in the local market, so as to ensure the procurement price for the domestic natural gas (excluding long-term domestic natural gas sales) and by-products is in accordance with the pricing principle, and (ii) the relevant provincial/municipal gate station prices as prescribed and published by the NDRC from time to time on its website and/or the prices charged by two to three major independent suppliers (if any, depending on whether they have operated business in the specific local market), so as to ensure the procurement price for long-term domestic natural gas sales is in accordance with the pricing principle.

For details of the New Natural Gas Sale and Purchase Framework Agreement, please refer to the Company's announcement dated 18 October 2023 and circular dated 7 November 2023.

3 Comprehensive Services and Product Sales Agreement

On 23 Octorber 2020, the Company entered into the Comprehensive Services and Product Sales Agreement with CNOOC, pursuant to which:

(1) the Group has agreed to provide services and supplies to CNOOC Group, including but not limited to provision of offices and facilities, labour services, technical training services, project management services, logistics management services, accommodation/ catering services, port management, logistics assistance, transportation services, material supplies for utility system, etc., dependent upon service locations and the types of facilities established;

(2) CNOOC Group has agreed to provide services and supplies to the Group, including but not limited to engineering services, telecommunication and network services, construction services, management system/ technology development services, equipment leasing, equipment maintenance, project management services, labour services, materials/ equipment procurement services, transportation services, technical training services, catering, accommodation, medical, insurance services, conference services, consultancy services, logistics management services, etc., dependent upon service locations and the facilities established; and

(3) the Group has agreed to sell products (urea, phosphate fertiliser, methanol, potash, formaldehyde, ammonia, compound fertiliser, acrylonitrile, etc.) to CNOOC Group and CNOOC Group has agreed to sell products (potash, medicament and natural gas etc.) to the Group.

The term of the Comprehensive Services and Product Sales Agreement commenced on 1 January 2021 and will expire on 31 December 2023, but may be renewed upon agreement provided that the requirements of the Listing Rules in relation to connected transactions are complied with.

In order to facilitate effective internal control of the continuing connected transactions contemplated under the Comprehensive Services and Product Sales Agreement, the Company will divide, so far as practicable, such transactions into two categories, which are (i) the provision of services and supplies and sale of products by the Group to CNOOC Group and (ii) the provision of services and supplies and sale of products by CNOOC Group to the Group.

Under the Comprehensive Services and Products Sales Agreement, the provision of services, supplies and products by the Group to CNOOC Group will be conducted on normal commercial terms and conditions which shall not be favourable than those offered to independent third parties by the Group, the provision of services, supplies and products by CNOOC Group to the Group will be conducted on normal commercial terms and conditions which shall not be less favourable than those offered to independent third parties by CNOOC Group, and the prices thereunder will be determined in accordance with the pricing principles set out in the Comprehensive Services and Product Sales Agreement as follows:

1. As to provision of services, supplies and products by the Group to CNOOC Group: a. not lower than the prices charged by the Group to other comparable independent third party customers for the same type of services, supplies or products; or b. with reference to the prices for the same type of services, supplies or products in the same areas charged on normal terms in the ordinary and usual course of its business by comparable independent third party service providers or suppliers; or c. with reference to the prices for the same type of services, supplies or products in the adjacent areas charged on normal terms in the ordinary and usual course of its business by comparable independent third party providers or suppliers.

2. As to provision of services, supplies and products by CNOOC Group to the Group: a. not higher than the prices charged by CNOOC Group to its associates (other than members of the Group) or other comparable independent third party customers (if any) for the same type of services, supplies or products; or b. with reference to the prices for the same type of services, supplies or products in the same areas charged on normal terms in the ordinary and usual course of its business by comparable independent third party service providers or suppliers; or c. with reference to the prices for the same type of services, supplies or products in the adjacent areas charged on normal terms in the ordinary and usual course of its business by comparable independent third party providers or suppliers.

Nevertheless, for the above-mentioned services, supplies and products, when relevant government authorities publish a government-prescribed price in relation to the transactions contemplated under the Comprehensive Services and Product Sales Agreement during the term of the Comprehensive Services and Product Sales Agreement, the relevant prices shall be adjusted with reference to the government-prescribed price accordingly.

The Group may, from time to time when the situation requires, enter into separate agreements which will set out the specific scope of services, supplies and products, and the terms and conditions of providing such services, supplies and products according to the principles laid down by the Comprehensive Services and Product Sales Agreement.

The annual costs of services, supplies and products obtained by the Group from CNOOC Group in 2023 pursuant to the Comprehensive Services and Product Sales Agreement amounted to RMB1,585,238,000. The annual revenue from services, supplies and sales of products provided by the Group to CNOOC Group amounted to RMB712,905,000.

On 18 October 2023, the Company entered into the CNOOC Comprehensive Services and Product Sales Agreement with CNOOC on substantially the same terms and conditions of the Comprehensive Services and Product Sales Agreement, pursuant to which: (1) the Group has agreed to provide comprehensive services to CNOOC Group; (2) CNOOC Group has agreed to provide comprehensive services to the Group; and (3) the Group has agreed to sell products (including but not limited to urea, phosphate fertiliser, methanol, potassium fertilizer, formaldehyde, ammonia, compound fertiliser, acrylonitrile, etc. And such other products as may be sold by the Group to the CNOOC Group under the CNOOC Comprehensive Services and Product Sales Agreement) to CNOOC Group, and CNOOC Group has agreed to sell products (including but not limited to potassium fertilizer, medicament and natural gas, etc. and such other products as may be sold by the CNOOC Group to the Group under the CNOOC Comprehensive Services and Product Sales Agreement) to the Group. The term of the CNOOC Comprehensive Services and Product Sales Agreement commenced on 1 January 2024 and will expire on 31 December 2026. For details of the CNOOC Comprehensive Services and Product Sales Agreement, please refer to the Company's announcement dated 18 October 2023 and circular dated 7 November 2023.

4 Financial Services Agreement

The Group utilizes from time to time financial services provided by CNOOC Finance and, therefore, entered into the "Financial Services Agreement"with CNOOC Finance on 23 October 2020, pursuant to which CNOOC Finance will provide to the Group a range of financial services that the Group may require, including the following:

(1) provision of financing services to the Group, including but not limited to loans;

(2) deposit services;

(3) bank notes acceptance and discounting services;

(4) arrangement of entrustment loans between the Company and its subsidiaries or among its subsidiaries;

(5) transfer and settlement services, including transfer and settlement for transactions between the Company and its subsidiaries and for transactions between the Group and CNOOC Group; and

(6) other financial services permitted by the CBIRC to the members of the Group.

The term of the Financial Services Agreement commenced on 1 January 2021 and will expire on 31 December 2023 but may be renewed upon agreement provided that the requirements of the Listing Rules in relation to connected transactions are complied with.

The transactions under the Financial Services Agreement will be conducted on normal commercial terms and conditions and will be priced in accordance with the following principles:

(1) provision of loans to the Group: the interest rates for such loans are determined in accordance with the loan prime rate (LPR) promulgated by the National Interbank Funding Center as authorized by the PBOC from time to time, and with appropriate discount to the comparable loan interest rate provided by major financing banks of the Company;

(2) provision of deposit services: the interest rates for such deposits are determined in accordance with the deposit benchmark interest rates for relevant financial institutions as promulgated by the PBOC from time to time, and shall be no less than the comparable deposit interest rate offered by major financing banks of the Company;

(3) bank notes acceptance and discounting services: in providing note acceptance services to the Group, CNOOC Finance will charge service fees that are calculated in accordance with the par value, and the fee rates are determined with appropriate discount to the comparable rate provided by major financing banks of the Company; in providing note discounting services to the Group by CNOOC Finance, the interest rates are determined by reference to the latest notes market quote, and with applicable discount to the comparable interest rate provided by major financing banks of the Company;

(4) arrangement of entrustment loans: the annual service fees are to be calculated based on the outstanding principal of the loans, and the aggregate amount of service fees and loan interest together shall not exceed the interest for securing a loan of the same term directly from independent third party financial institutions by the Company and/or its subsidiaries; and if there are standard rates promulgated by the PBOC or other competent regulatory authorities, the service fees shall be determined with reference to the standard rates promulgated by the PBOC or other competent regulatory authorities and with appropriate discount to the comparable standards provided by major financing banks of the Company;

(5) transfer and settlement services in RMB: no service fee will be charged (relevant services in other currencies shall adopt principle 6 as set out below); and

(6) other financial services: service fees shall be determined with reference to the relevant standard charging rate promulgated by the PBOC or other competent regulatory authorities, and with appropriate discount to the comparable service fees provided by major financing banks of the Company.

Pursuant to the Financial Service Agreement entered into between the Company and CNOOC Finance, the Company shall be entitled to have a unilateral right of set-off such that, in the event of any misuse or default by CNOOC Finance in respect of amounts deposited with it by the Group, the Group will be able to offset the amount due to the Group from CNOOC Finance against the amount outstanding from the Group to CNOOC Finance, and CNOOC Finance shall not be entitled to have any such offset right in this circumstance.

In 2023, the maximum daily balance of the Group's deposits placed in CNOOC Finance was RMB399,725,000.

On 18 October 2023, the Company entered into the Financial Services Agreement with CNOOC Finance (the "2023 Financial Services Agreement") on substantially the same terms and conditions of the Financial Services Agreement, pursuant to which CNOOC Finance will provide to the Group a range of financial services that the Group may require. The term of the 2023 Financial Services Agreement commenced on 1 January 2024 and will expire on 31 December 2026. For details of the 2023 Financial Services Agreement, please refer to the Company's announcement dated 18 October 2023.

5 Finance Lease Agreement

On 23 October 2020, the Company entered into the "Finance Lease Agreement" with CNOOC Leasing, pursuant to which:

(a) CNOOC Leasing agrees to provide finance lease services to the Group when the Group so requires, by means including but not limited to (1) the Group selling its production facility/equipment to CNOOC Leasing, leasing them back from CNOOC Leasing for its own use and repurchasing them at the end of the lease period; or (2) CNOOC Leasing purchasing production facility/equipment in accordance with the Group's choice of the suppliers and the facility/equipment, leasing them to the Group for its use and selling them to the Group at the end of the lease period; and

(b) the Group agrees to pay lease rent (principal plus lease interest) and commission fees to CNOOC Leasing for provision of the finance lease service.

The term of the Finance Lease Agreement commenced on 1 January 2021 and will expire on 31 December 2023, but may be renewed upon agreement provided that the requirements of the Listing Rules in relation to connected transactions are complied with.

The transactions contemplated under the Finance Lease Agreement will be conducted on normal commercial terms and conditions which shall not be less favourable than those provided to independent third parties by CNOOC Leasing, and the principal amount, the lease interest rate and commission fees shall be determined in accordance with the following principles:

(a) principal amount: for scenario 1 above, the principal amount shall be determined with reference to the net book value of such production facility/equipment or the appraised value of such production facility/equipment to be prepared by an independent valuer, and shall not be less favorable than that provided by an independent third party financial institution to the Group; for scenario 2, the principal amount shall be determined based on the purchase price of such production facility/equipment, and shall not be less favorable than that provided by an independent third party financial institution to the Group; and

(b) lease interest and commission fees: the consolidated rate of lease interest plus commission fees during the lease period shall not be higher than the available loan interest rate quoted from the PRC commercial banks for the corresponding period.

The Group may, from time to time when the situation requires, enter into separate agreements which will set out the specific terms and conditions of obtaining such finance lease services according to the principles laid down by the Finance Lease Agreement.

In 2023, the annual costs, being the maximum principal amount outstanding plus production lease interest and commission fees accrued, paid by the Group pursuant to the Finance Lease Agreement amounted to RMB0.

6 Kingboard Product Sales and Services Agreement

The Company entered into the "Kingboard Product Sales and Services Agreement" with Kingboard on 23 October 2020, pursuant to which the Company agreed to sell products produced by the Group, including but not limited to methanol; and to provide related services such as transportation services to Kingboard and its associates, including but not limited to short-distance transportation, train loading, ship loading, sea transportation, railway transportation, purchase/arrangement of cargo transportation insurance.

The term of Kingboard Product Sales and Services Agreement commenced on 1 January 2021 and will expire on 31 December 2023 but may be renewed upon agreement provided that the requirements of the Listing Rules in relation to connected transactions are complied with.

The transactions under the Kingboard Product Sales and Services Agreement will be conducted on normal commercial terms and conditions which shall not be less favorable than those offered to independent third parties by the Group and priced in accordance with the following principles:

(i) not lower than the prices charged by the Group to comparable independent third parties for sales or provision of the same type of products or services; or

(ii) with reference to the prices for the same type of products or services sold or provided in the same areas charged on normal terms in the ordinary and usual course of its business by comparable independent third parties; or

(iii) with reference to the prices for the same type of products or services sold or provided in the adjacent areas charged on normal terms in the ordinary and usual course of its business by comparable independent third parties.

Nevertheless, when relevant government authorities publish a government-prescribed price in relation to the transactions contemplated under Kingboard Product Sales and Services Agreement during the term of the Kingboard Product Sales and Services Agreement, the relevant prices shall be adjusted with reference to government-prescribed price accordingly.

Kingboard (and/or its associates) and the Group may, from time to time when the situation requires, enter into separate agreements which will set out the specific products and scope of services, terms and conditions of selling products or providing services according to the principles laid down by the Kingboard Product Sales and Services Agreement.

In 2023, the aggregate revenue of the Group from Kingboard and its associates for sales of products and provision of related services amounted to RMB239,086,000.

On 18 October 2023, the Company entered into the Kingboard Product Sales and Services Agreement with Kingboard (the "2023 Kingboard Product Sales and Services Agreement") on substantially the same terms and conditions of the Kingboard Product Sales and Services Agreement, pursuant to which the Company agreed to sell products (including but not limited to products such as methanol produced by the Group), and provide services (including but not limited to services related to sales and purchase of products such as short-distance transportation, train loading, ship loading, sea transportation, railway transportation, purchase/arrangement of cargo transportation insurance) to Kingboard and/or its associates. The term of the 2023 Kingboard Product Sales and Services Agreement commenced on 1 January 2024 and will expire on 31 December 2026. For details of the 2023 Kingboard Product Sales and Services Agreement, please refer to the Company's announcement dated 18 October 2023.

7 Comprehensive Services and Product Sales Agreement with Fudao Chemical

The Company and Fudao Chemical had entered into the Comprehensive Services and Product Sales Agreement with Fudao Chemical on 18 November 2022, pursuant to which:

a. The Group has agreed to provide services and supplies to Fudao Chemical (including but not limited to provision of offices and facilities, labour services, technical training services, project management services, logistics management services, accommodation/catering services, port management, logistics assistance, transportation services, equipment leasing, equipment maintenance, materials/equipment procurement services and material supplies for utility system); and

b. The Group has agreed to sell products (methanol, liquid ammonia, etc.) to Fudao Chemical and Fudao Chemical has agreed to sell products (including but not limited to acrylonitrile, acetonitrile, MMA, etc.) to the Group.

The term of the Comprehensive Services and Product Sales Agreement with Fudao Chemical is from 28 December 2022 to 31 December 2023, but may be renewed upon agreement provided that the requirements of the Listing Rules in relation to connected transactions are complied with.

In order to facilitate effective internal control of the Proposed Continuing Connected Transactions with Fudao Chemical under the Comprehensive Services and Product Sales Agreement with Fudao Chemical, the Company will divide, so far as practicable, such transactions into two categories, which are (i) the provision of services and supplies and sale of products by the Group to Fudao Chemical and (ii) the sale of products by Fudao Chemical to the Group.

Under the Comprehensive Services and Product Sales Agreement with Fudao Chemical, the provision of services and supplies and sale of products by the Group to Fudao Chemical will be conducted on normal commercial terms and conditions which shall not be favourable than those offered to independent third parties by the Group, the sale of products by Fudao Chemical to the Group will be conducted on normal commercial terms and conditions which shall not be less favourable than those offered by independent third parties to the Group and shall not be less favourable than those offered to independent third parties by Fudao Chemical, and the prices thereunder will be determined in accordance with the pricing principles set out in the Comprehensive Services and Product Sales Agreement with Fudao Chemical as follows:

1. As to provision of services and supplies and sale of products by the Group to Fudao Chemical

   a. not lower than the prices charged by the Group to other comparable independent third-party customers for the same type of services, supplies or products; or

   b. with reference to the prices for the same type of services, supplies or products in the same areas charged on normal terms in the ordinary and usual course of its business by comparable independent third-party service providers or suppliers; or

   c. with reference to the prices for the same type of services, supplies or products in the adjacent areas charged on normal terms in the ordinary and usual course of its business by comparable independent third party service providers or suppliers.

2. As to sale of products by Fudao Chemical to the Group

a. not higher than the prices charged by Fudao Chemical to its associates (other than members of the Group) or other comparable independent third-party customers (if any) for the same type of products; or

b. with reference to the prices for the same type of products in the same areas charged on normal terms in the ordinary and usual course of its business by comparable independent third-party suppliers; or

c. with reference to the prices for the same type of products in the adjacent areas charged on normal terms in the ordinary and usual course of its business by comparable independent third-party suppliers.

Nevertheless, for the above-mentioned services, supplies and products, when relevant government authorities publish a government-prescribed price in relation to the Proposed Continuing Connected Transactions with Fudao Chemical during the term of the Comprehensive Services and Product Sales Agreement with Fudao Chemical, the relevant prices shall be adjusted with reference to the government-prescribed price accordingly.

In 2023, the Group's revenue from the provision of services and supply and sales of products to Fudao Chemical amounted to RMB314,181,000; the Group's costs from the procurement of products from Fudao Chemical amounted to RMB1,267,384,000.

On 18 October 2023, the Company entered into the Fudao Comprehensive Services and Product Sales Agreement with Fudao Chemical on substantially the same terms and conditions of the Comprehensive Services and Product Sales Agreement with Fudao Chemical, pursuant to which: (1) the Group has agreed to provide comprehensive services to Fudao Chemical (including but not limited to provision of office premises/facilities, labour services, technical training, project management, logistics management, accommodation/catering, port management, logistics assistance, transportation services, equipment leasing, equipment maintenance, materials/equipment procurement services, material supplies for utility system, etc.); and (2) the Group has agreed to sell products (including but not limited to methanol, liquid ammonia, etc.) to Fudao Chemical and Fudao Chemical has agreed to sell products (including but not limited to acrylonitrile, acetonitrile, MMA, etc.) to the Group. The term of the Fudao Comprehensive Services and Product Sales Agreement commenced on 1 January 2024 and will expire on 31 December 2026. For details of the Fudao Comprehensive Services and Product Sales Agreement, please refer to the Company's announcement dated 18 October 2023 and circular dated 7 November 2023.

The annual cap and the actual transaction amount of each of the continuing connected transactions in 2023 are set out below:

	Annual cap amount for 2023 (RMB'000)	Actual transaction amounts for 2023 (RMB'000)
A. Continuing connected transactions with CNOOC and its associates		
(1) Properties Leasing Agreement: Lease of properties by the Group from CNOOC Group	32,728	31,139
(2) Properties Leasing Agreement: Lease of properties by CNOOC Group from the Group	7,486	6,904
(3) Natural Gas Sale and Purchase Agreements: Purchase of natural gas by the Group from CNOOC China Limited (Note 1)	3,480,000	3,135,157
(4) Comprehensive Services and Product Sales Agreement		
(a) Provision of services, supplies and sales of products by CNOOC Group to the Group (Note 2)	2,620,000	1,585,238
(b) Provision of services, supplies and sales of products by the Group to CNOOC Group	810,356	712,905
(5) Financial Services Agreement: Deposits placed in CNOOC Finance by the Group (Note 3)	400,000	399,725
(6) Finance Lease Agreement: Provision of finance lease services by CNOOC Leasing to the Group	1,108,000	0
B. Continuing connected transactions with Kingboard and its associates		
Sales of products and provision of services by the Group to Kingboard and/or its associates under the Kingboard Product Sales and Services Agreement	355,965	239,086
C. Continuing Connected Transactions with Fudao Chemical		
the Comprehensive Services and Product Sales Agreementwith Fudao Chemical		
(1) Provision of services and supplies and sale of products by the Group to Fudao Chemical (Note 4)	320,000	314,181
(2) Sale of products by Fudao Chemical to the Group (Note 4)	3,130,000	1,267,384

Note 1: The Company convened an extraordinary general meeting on 28 December 2022 to consider and approve the Proposed Revised Annual Caps for the purchase of natural gas by the Group from CNOOC International Trade under the Natural Gas Sale and Purchase Agreements for the two financial years from 1 January 2022 to 31 December 2023. The annual caps for 2023 were revised from RMB2,945,829,000 to RMB3,480,000,000.

Note 2: The Company convened an extraordinary general meeting on 28 December 2022 to consider and approve the Proposed Revised Annual Cap for the provision of services and supplies and sale of products by CNOOC Group to the Group under the Comprehensive Services and Product Sales Agreement for the year ended 31 December 2023. The annual cap for 2023 were revised from RMB915,437,000 to RMB2,620,000,000.

Note 3: The actual and annual cap amounts refer to the Company's maximum daily balance during the year.

Note 4: The Company and Fudao Chemical had entered into the Comprehensive Services and Product Sales Agreement with Fudao Chemical on 18 November 2022, pursuant to which the annual caps for the provision of services and supplies and sale of products by the Group to Fudao Chemical for 2023 are RMB320,000,000. The Company convened an extraordinary general meeting on 28 December 2022 to consider and approve the annual caps for the Sale of products by Fudao Chemical to the Group under the Fudao Comprehensive Services and Product Sales Agreement were RMB3,130,000,000.

Independent non-executive Directors have reviewed the above continuing connected transactions and confirmed as follows:

1. the above transactions were conducted in the ordinary and usual course of business of the Group with connected persons or their respective associates (if applicable);

2. the above transactions were conducted on normal commercial terms or terms which (if no comparable terms are available) were no less favourable than those offered to or by independent third parties; and

3. the above transactions were conducted in accordance with the relevant agreements governing the transactions and all terms were fair and reasonable to the independent shareholders and in the interests of the shareholders of the Company as a whole.

The Company's Auditors have reviewed the above connected transactions and confirmed to the Company in writing that:

1. the above transactions have been approved by the Board;

2. where the above transactions were related to products and services provided by the Company, they were conducted in accordance with the Company's pricing policy;

3. the above transactions were conducted in accordance with the terms of relevant agreements governing such transactions; and

4. the above transactions (if applicable) did not exceed the relevant annual caps as disclosed in previous announcements.

The Directors confirm that the Company has complied with the requirements set out under Chapter 14A of the Listing Rules for the abovementioned connected transactions. Save as disclosed above, other related parties transactions disclosed in Note 42 to the Accountant's Report of this annual report do not fall under connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

Sufficiency of public float

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, during the year ended 31 December 2023 and up to the date of this annual report, the Company has maintained a sufficient public float of no less than 25% of the Company's total issued share capital as required under the Listing Rules.

Litigation and arbitration

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

Compliance with laws and regulations

For the year ended 31 December 2023, so far as the Company is aware, the Company has complied with relevant laws and regulations that have material effect on the Company in all material aspects. The Company's compliance with relevant environmental protection laws and regulations are provided in the 2023 Environmental, Social, and Governance Report separately issued by the company.

Audit Committee

The 2023 annual results of the Company have been reviewed by the Audit Committee of the Board. The Committee has reviewed the accounting principles and practices adopted by the Company, and also discussed the auditing, internal control and financial reporting matters, including the review of the 2023 audited annual results with the management. There is no disagreement between the Audit Committee and BDO Limited and BDO China Shu Lun Pan CPAs the independent auditor, in relation to the accounting methods adopted in the preparation of the annual results during the reporting period.

Corporate governance code and model code for securities transactions

During the reporting period, the Company had complied with all code provisions of Corporate Governance Code as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the deviation from code provisions C.2.1 and F.2.2 of the Corporate Governance Code.

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 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 responsibilities 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 under C.2.1 of the Corporate Governance Code as soon as practicable.

Under code provision F.2.2, the chairman of the board should attend the annual general meeting of the Company. Mr. Hou Xiaofeng was unable to attend the 2022 annual general meeting, the H shareholders' class meeting and the domestic shareholders' class meeting held on 25 May 2023 due to other business commitments. Mr. Zhao Baoshun, a non-executive Director who took the chair of the 2022 annual general meeting, the H shareholders' class meeting and the domestic shareholders' class meeting, together with other members of the Board who attended the annual general meeting and the class meetings, were of sufficient calibre for answering questions at the meetings and had answered questions at the meetings competently.

Auditors

On 25 May 2023, BDO Limited and BDO China Shu Lun Pan CPAs were appointed as the overseas and domestic auditors of the Company respectively on the 2022 annual general meeting of the Company. The consolidated financial statements of the year have been audited by BDO Limited whose term of office will expire at the 2023 annual general meeting, at which a resolution will be proposed by the Company for the reappointment of BDO Limited and BDO China Shu Lun Pan CPAs as the overseas and the domestic auditors of the Companys, respectively. For details of change of auditors by the Company on 31 May 2018, please refer to the circular of the Company dated 16 April 2018.

For and on behalf of the Board
Executive Director
Hou Xiaofeng

Shenzhen, the PRC, 23 March 2024

Report of the Supervisory Committee

In 2023, all members of the Supervisory Committee of the Company conscientiously performed their supervisory duties pursuant to the Company Law, the Articles, the Rules of Procedures for Meetings of the Supervisory Committee and the Listing Rules. The Supervisory Committee conducted inspection on a regular basis to ensure the compliance of the Company's operation and business operations, attended all of the Company's general meetings and Board meetings, supervised the acts of the Directors and senior management of the Company in the performance of their duties, and visited the Company's major production bases for site investigation and inspection when necessary. During the year, the Supervisory Committee adequately performed its supervisory functions to the effect that all shareholders' interests were effectively safeguarded.

1 Meetings of the Supervisory Committee

In 2023, the Supervisory Committee held four meetings. These meetings were all convened in compliance with requirements of relevant laws and regulations and the Articles. Specifically:

(1) On 27 March 2023, the Supervisory Committee held the first meeting for 2023 in Shenzhen, at which the committee considered and approved the Report of the Supervisory Committee for 2022, reviewed the annual financial report of the Company for 2022, and discussed the main tasks of the Supervisory Committee for 2023.

(2) On 18 August 2023, the Supervisory Committee held the second meeting for 2023 in Chengdu, at which the committee reviewed the interim financial report of the Company for 2023, and discussed the prioritized tasks for the second half of 2023.

(3) On 17 October 2023, the Supervisory Committee held the first extraordinary meeting for 2023 in Beijing, at which the committee approved the resignation of Mr. Liu Jianyao as the supervisor representing the Shareholders of the Company and the chairman of the Supervisory Committee, and considered the resolution on the appointment of Mr. Zhang Bing as the supervisor representing the Shareholders of the Company.

(4) On 22 December 2023, the Supervisory Committee held the third meeting for 2023 in Beijing, at which the chairman of the Supervisory Committee of the Company was elected.

2 Principal inspection and supervision work carried out by the Supervisory Committee in 2023

(1) Members of the Supervisory Committee carried out supervision and inspection on the financial position of the Company and on matters such as the implementation of the Company's internal control system, by ways including regularly checking the financial reports and financial budgets of the Company and reviewing the Company's accounting books, vouchers, related contracts and other relevant information from time to time.

(2) Members of the Supervisory Committee attended one annual general meeting, one H shareholders' class meeting, one domestic shareholders' class meeting and one extraordinary general meeting. Mr. Li Xiaoyu, the independent Supervisor of the Company, acted as the scrutineer for the vote-taking at these meetings.

(3) Members of the Supervisory Committee attended five Board physical meetings, at which the committee exercised effective supervision over the legality and compliance of the procedures of Board meetings for considering and approving matters and the implementation of resolutions of general meetings by the Board.

(4) Key members of the Supervisory Committee communicated with management of the Company from time to time to understand the business operations, development plan and all significant decisions and important events of the Company.

(5) In 2023, members of the Supervisory Committee visited CNOOC Fudao (Hainan) Chemical Ltd.* (中海油富島(海南)化工有限公司), CNOOC Huahe Coal Chemical Limited and CNOOC Fudao (Shanghai) Chemical Limited to investigate and inspect their production and operation and the problems existed in management, and made requests in connection therewith.

3 Independent opinions issued by the Supervisory Committee on relevant matters

(1) Operation and management of the Company

During the reporting period, the Company actively responded to the complex and severe external economic environment by clearly defining its development positioning, promoting the transformation and upgrading of traditional industrial structure, continuously strengthening production and operation control, enhancing market promotion, and improving sales efficiency. The Company made timely, accurate and complete information disclosures. The procedures for all decision-makings at the general meetings and Board meetings of the Company were legal and compliant. The Directors and senior management of the Company faithfully discharged their duties under the Articles and conscientiously implemented the resolutions passed at the general meetings and the Board meetings without jeopardising the Company's interests or violating the laws and regulations.

(2) Financial position of the Company

Members of the Supervisory Committee conducted supervision and inspection of the Company's financial management system and financial conditions, and reviewed the relevant financial information, such as the financial reports and profit distribution plans, proposed to be tabled at the general meeting by the Board. After due examination, the Supervisory Committee is of the view that the Company has strictly complied with the financial and economic laws and regulations and the fiscal system, the financial management system has been sound and effective, the accounting treatments have been applied with consistency, and the Company's financial reports represent an objective and fair view of the financial position and operating results of the Company.

The Supervisory Committee reviewed the unqualified opinion audit report in respect of the financial position and operating results of the Company for 2023 issued by BDO China Shu Lun Pan CPAs and BDO Limited in accordance with the PRC and international accounting standards, respectively, and had no objection to the report.

(3) Connected transactions

The Supervisory Committee reviewed the connected transactions of the Company and its subsidiaries with their connected persons during the reporting period, and is of the view that relevant provisions of the Listing Rules have been complied with, and that the prices under the connected transactions were reasonable, open and fair without any prejudice to the interests of the shareholders and the Company.

The Supervisory Committee also reviewed each of the proposed continuing connected transaction agreements of the Company and the caps of transactions for 2024 to 2026, and concurred with the opinion letter from the independent financial adviser of the Company.

(4) Implementation of resolutions of the general meetings

The Supervisory Committee had no objection to the reports and motions tabled by the Board at the general meetings for consideration during the reporting period, and is of the view that the Board has conscientiously implemented the resolutions approved at the general meetings.

In 2024, the Supervisory Committee will continue to comply with the requirements under the Company Law, the Articles, the Rules of Procedures for Meetings of the Supervisory Committee and the Listing Rules, conscientiously perform their supervisory duties, independently exercise their powers and functions in accordance with the law, closely monitor the Company's day-to-day operations and significant initiatives in the course of business development, continue to conduct investigation and research, and supervise the acts of the Directors and senior management of the Company in the performance of their duties, with aims of promoting the Company's regulated operation, healthy development and faithfully protecting the interests of all shareholders and the Company.

By order of the Supervisory Committee
Chairman of the Supervisory Committee
Zhang Bing

Shenzhen, the PRC, 22 March 2024

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Independent Auditor's Report

To the Shareholders of China BlueChemical Ltd.
(incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of China BlueChemical Ltd. (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 60 to 142 which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("**IFRS Accounting Standards**") and have been properly prepared in compliance with the disclosure requirement of Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report - Continued

Key Audit Matters – Continued

Recoverability of carrying amounts of certain non-current assets	How our audit addressed the key audit matter
Refer to Notes 17, 18, 19 and 21 to the consolidated financial statements and the material accounting policy information under Notes 4(c), 4(e), 4(f), 4(g) and 4(o). As at 31 December 2023, the carrying amounts of property, plant and equipment, mining rights, prepaid lease payments and intangible assets of approximately RMB7,142,912,000, RMB128,113,000, RMB342,775,000 and RMB152,565,000 respectively, represented about 89% of the total non-current assets of the Group. Management performed assessment at the end of each reporting period on whether there is any indicator that the non-current assets may be impaired. Should indication of an impairment exist, an impairment assessment will be performed accordingly. The recoverable amounts of the non-current assets are assessed by value-in-use calculations which are based on future discounted cash flows on a cash generating unit basis. Management has concluded that there was no impairment in respect of the non-current assets as at 31 December 2023. This area is significant to our audit because of the significance of the carrying amounts of the non-current assets and the significant management judgment involved in determining the value-in-use prepared based on future discounted cash flows. The judgment focuses on revenue growth rates, gross and operating margins and discount rates. All these factors are with estimation uncertainties and may impact the results of the impairment assessments.	Our procedures in relation to recoverability of carrying amounts of certain non-current assets included: • evaluated the internal sources and external sources of information to identify impairment indications, if any; • evaluated the appropriateness of the value-in-use model adopted for the impairment assessments; • compared the current year's actual results with prior year's budgets to consider whether any past forecast including any assumptions, with hindsight, had been aggressive; • assessed the reasonableness of key assumptions such as revenue growth rates and gross/operating margins by comparing to commercial contracts, available market reports and historical trend analyses; • assessed the discount rates used by considering and recalculating the weighted average cost of capital for the non-current assets and comparable companies within the same industry, as well as considering territory specific factors; • reconciled input data to supporting evidence, such as approved budgets, inflation rates, strategic plans and market data, where applicable; and • evaluated management's sensitivity analysis around the key assumptions, to ascertain the extent of change in those assumptions that either individually or collectively would be required for the non-current assets to be impaired, where applicable.

Independent Auditor's Report - Continued

Other Information in the Annual Report

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards and the disclosure requirement of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditor's Report - Continued

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements - Continued

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats and safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants

Amy Yau Shuk Yuen
Practising Certificate no. P06095

Hong Kong, 23 March 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Revenue	7	12,989,832	14,279,054
Cost of sales		(10,928,762)	(11,742,407)
Gross profit		2,061,070	2,536,647
Other income	7	89,717	76,656
Other gains and losses, net	8	(732)	420
Selling and distribution costs		(114,839)	(113,843)
Administrative expenses		(602,741)	(551,493)
Other expenses		(26,986)	(47,396)
Change in fair value of financial assets at fair value through profit or loss		88,284	93,040
Finance income	9	357,941	314,822
Finance costs	10	(34,185)	(29,394)
Impairment losses	11	(6,183)	(23,480)
Exchange (losses)/gains, net		(9,624)	9,360
Gain on disposal of subsidiaries	40	858,229	-
Share of profits of joint ventures	22	1,796	2,712
Share of profits of associates	23	2,238	2,718
Profit before income tax	11	2,663,985	2,270,769
Income tax expenses	14	(289,887)	(472,037)
Profit for the year		2,374,098	1,798,732
Other comprehensive income for the year, net of tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		52	184
Remeasurement loss on employee benefits liability	34	(1,171)	(11,968)
Share of other comprehensive (loss)/income of joint ventures	22	(3,923)	3,591
Share of other comprehensive income of associates	23	22	204
		(5,020)	(7,989)
Total comprehensive income for the year		2,369,078	1,790,743

Consolidated Statement of Profit or Loss and Other Comprehensive Income - Continued

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Profit attributable to:			
Owners of the Company		**2,381,681**	1,642,578
Non-controlling interests		**(7,583)**	156,154
		2,374,098	1,798,732
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**2,376,661**	1,634,589
Non-controlling interests		**(7,583)**	156,154
		2,369,078	1,790,743
Earnings per share attributable to owners of the Company			
– Basic and diluted for the year (RMB per share)	16	**0.52**	0.36

Consolidated Statement of Financial Position

As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	17	**7,142,912**	7,037,734
Mining rights	18	**128,113**	129,176
Prepaid lease payments	19	**342,775**	359,510
Investment properties	20	**68,979**	65,194
Intangible assets	21	**152,565**	32,856
Interests in joint ventures	22	**293,905**	295,244
Interests in associates	23	**126,162**	34,423
Financial asset at fair value through other comprehensive income	24	**600**	600
Deferred tax assets	25	**155,122**	53,356
Other long-term prepayment for property, plant and equipment		**121,168**	4,810
Loan receivable	26	**208,408**	-
		8,740,709	8,012,903
CURRENT ASSETS			
Inventories	27	**974,450**	1,189,994
Trade receivables	28	**56,513**	284,584
Bills receivable	29	**207,144**	136,817
Contract assets	30(a)	**20,188**	11,612
Prepayments, deposits and other receivables	31	**890,414**	588,240
Financial assets at fair value through profit or loss	24	**2,893,726**	3,617,572
VAT recoverable		**226,814**	164,006
Pledged bank deposits	32	**10,119**	4,203
Time deposits with original maturity over three months	32	**9,700,000**	8,400,000
Cash and cash equivalents	32	**597,269**	528,777
		15,576,637	14,925,805
A disposal group classified as held for sale	40(a)(ii)	**-**	558,951
		15,576,637	15,484,756
TOTAL ASSETS		**24,317,346**	23,497,659
EQUITY			
CAPITAL AND RESERVES			
Issued capital	33	**4,610,000**	4,610,000
Reserves		**12,736,800**	11,316,560
Proposed dividends	15	**954,270**	820,580
Equity attributable to owners of the Company		**18,301,070**	16,747,140
Non-controlling interests		**1,106,088**	1,029,450
TOTAL EQUITY		**19,407,158**	17,776,590

Consolidated Statement of Financial Position - Continued

As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
LIABILITIES			
NON-CURRENT LIABILITIES			
Employee benefits liability	34	**258,192**	294,377
Interest-bearing bank and other borrowings	35	**1,349,275**	1,185,762
Lease liabilities	39	**10,491**	6,458
Deferred tax liabilities	25	**16,430**	14,217
Deferred revenue	36	**129,937**	112,000
Other long-term liabilities		**1,789**	5,736
		1,766,114	1,618,550
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	35	**651,691**	869,149
Trade payables	37	**1,138,388**	1,346,483
Contract liabilities	30(b)	**610,135**	782,618
Other payables and accruals	38	**640,911**	628,066
Lease liabilities	39	**9,995**	16,986
Income tax payable		**92,954**	125,555
		3,144,074	3,768,857
Liabilities associated with a disposal group classified as held for sale	40(a)(ii)	**-**	333,662
		3,144,074	4,102,519
TOTAL LIABILITIES		**4,910,188**	5,721,069
TOTAL EQUITY AND LIABILITIES		**24,317,346**	23,497,659
NET CURRENT ASSETS		**12,432,563**	11,382,237
TOTAL ASSETS LESS CURRENT LIABILITIES		**21,173,272**	19,395,140
NET ASSETS		**19,407,158**	17,776,590

On behalf of the Board

Hou Xiaofeng	**Xie Dong**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Attributable to owners of the Company			
	Share capital RMB'000	Capital reserve RMB'000 (Note i)	Statutory surplus reserve RMB'000 (Note ii)	Special reserve RMB'000 (Note iii)
Balance at 1 January 2023	**4,610,000**	**1,109,316**	**1,806,554**	**74,648**
Profit for the year	-	-	-	-
Exchange differences on translating of foreign operations	-	-	-	-
Share of other comprehensive expense of joint ventures and associates	-	-	-	-
Remeasurement loss on employee benefits liability (Note 34)	-	-	-	-
Other comprehensive income/(loss) for the year	-	-	-	-
Total comprehensive income/(loss) for the year	-	-	-	-
Appropriation and utilisation of safety fund, net	-	-	-	**33,561**
2023 proposed dividends (Note 15)	-	-	-	-
2022 final dividends declared	-	-	-	-
Transfer from retained earnings	-	-	**186,515**	-
Dividends paid to non-controlling interests	-	-	-	-
Capital contribution from non-controlling interests (Note 46)(i)(iii)	-	-	-	-
Disposal of subsidiaries (Notes 40(a)(i) and 40(b))	-	-	-	**(2,151)**
Balance at 31 December 2023	**4,610,000**	**1,109,316**	**1,993,069**	**106,058**
Balance at 1 January 2022	4,610,000	1,109,316	1,766,468	81,006
Profit for the year	-	-	-	-
Exchange differences on translating of foreign operations	-	-	-	-
Share of other comprehensive income of joint ventures and associates	-	-	-	-
Remeasurement loss on employee benefits liability (Note 34)	-	-	-	-
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	-	-
Appropriation and utilisation of safety fund, net	-	-	-	(6,358)
2022 proposed dividends (Note 15)	-	-	-	-
2021 final dividends declared	-	-	-	-
Transfer from retained earnings	-	-	40,086	-
Dividends paid to non-controlling interests	-	-	-	-
Balance at 31 December 2022	4,610,000	1,109,316	1,806,554	74,648

Notes:

i. The capital reserve mainly comprises of (i) share premium arising from the issuance of H shares; and (ii) contribution and distribution from/to ultimate holding company.

ii. Statutory surplus reserve represents statutory reserve fund. In accordance with relevant rules and regulations in the People's Republic of China (the "**PRC**"), the Group's PRC subsidiaries are required to transfer an amount of their profit after income tax to the statutory reserve fund at financial year end, until the accumulated total of the fund reaches 50% of their registered capital. The appropriation to the statutory reserve fund is determined by the articles of association of the Company's subsidiaries and approval by the boards of directors of the subsidiaries.

iii. Special reserve represents safety fund. The Group's PRC subsidiaries are required to appropriate an amount of safety fund, in accordance with relevant PRC rules and regulations. Safety fund is used to improve, renovate and maintain safety facilities and equipment and update the safety supplies for the operation personnel, etc.

Retained earnings RMB'000	Proposed dividends RMB'000	Translation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
8,323,959	**820,580**	**2,083**	**16,747,140**	**1,029,450**	**17,776,590**
2,381,681	**-**	**-**	**2,381,681**	**(7,583)**	**2,374,098**
-	**-**	**52**	**52**	**-**	**52**
-	**-**	**(3,901)**	**(3,901)**	**-**	**(3,901)**
(1,171)	**-**	**-**	**(1,171)**	**-**	**(1,171)**
(1,171)	**-**	**(3,849)**	**(5,020)**	**-**	**(5,020)**
2,380,510	**-**	**(3,849)**	**2,376,661**	**(7,583)**	**2,369,078**
(33,561)	**-**	**-**	**-**	**-**	**-**
(954,270)	**954,270**	**-**	**-**	**-**	**-**
-	**(820,580)**	**-**	**(820,580)**	**-**	**(820,580)**
(186,515)	**-**	**-**	**-**	**-**	**-**
-	**-**	**-**	**-**	**(160,260)**	**(160,260)**
-	**-**	**-**	**-**	**205,800**	**205,800**
-	**-**	**-**	**(2,151)**	**38,681**	**36,530**
9,530,123	**954,270**	**(1,766)**	**18,301,070**	**1,106,088**	**19,407,158**
7,547,657	714,550	(1,896)	15,827,101	1,087,573	16,914,674
1,642,578	-	-	1,642,578	156,154	1,798,732
-	-	184	184	-	184
-	-	3,795	3,795	-	3,795
(11,968)	-	-	(11,968)	-	(11,968)
(11,968)	-	3,979	(7,989)	-	(7,989)
1,630,610	-	3,979	1,634,589	156,154	1,790,743
6,358	-	-	-	-	-
(820,580)	820,580	-	-	-	-
-	(714,550)	-	(714,550)	-	(714,550)
(40,086)	-	-	-	-	-
-	-	-	-	(214,277)	(214,277)
8,323,959	820,580	2,083	16,747,140	1,029,450	17,776,590

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
OPERATING ACTIVITIES			
Profit before income tax		**2,663,985**	2,270,769
Adjustment for:			
Other gains or losses, net	8	**732**	(420)
Finance income	9	**(357,941)**	(314,822)
Finance costs	10	**34,185**	29,394
Share of profits of joint ventures	22	**(1,796)**	(2,712)
Share of profits of associates	23	**(2,238)**	(2,718)
Gain on disposal of subsidiaries	40	**(858,229)**	-
Impairment losses	11	**6,183**	23,480
Depreciation and amortisation	11	**627,514**	566,827
Release of government grants	36	**(34,553)**	(32,084)
Change in fair value of financial assets at fair value through profit or loss		**(88,284)**	(93,040)
Write-down of inventories		**104,493**	20,654
Operating profit before working capital changes		**2,094,051**	2,465,328
Increase in inventories		**(28,823)**	(3,844)
Net decrease/(increase) in trade receivables, bills receivable, contract assets, prepayments, deposits and other receivables and other long-term prepayments for property, plant and equipment		**245,474**	(248,460)
Net decrease in trade payables, contract liabilities, other payables and accruals and other long-term liabilities		**(245,594)**	(100,304)
(Decrease)/increase in employee benefits liability		**(37,356)**	276,350
Cash generated from operations		**2,027,752**	2,389,070
Income tax paid		**(484,127)**	(246,593)
Net cash flows generated from operating activities		**1,543,625**	2,142,477

Consolidated Statement of Cash Flows - Continued

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
INVESTING ACTIVITIES			
Interest received		357,941	314,822
Dividend received		2,912	3,506
Net cash inflow in respect of partial disposal of a subsidiary	40(a)(i)	140,996	-
Net cash outflow in respect of deemed disposal of a subsidiary	40(b)	(10,084)	-
(Increase)/decrease in pledged bank deposits		(5,916)	9,016
Purchases of property, plant and equipment		(618,178)	(1,335,781)
Proceeds from disposal of property, plant and equipment		12,209	11,098
Purchases of intangible assets		(124,758)	(3,263)
Purchases of investment properties		(10,667)	-
Purchases of prepaid lease payments		(209)	-
Proceeds from disposal of prepaid lease payments		-	479
Purchased of financial assets at fair value through profit or loss		(2,850,000)	(12,700,000)
Disposal of financial assets at fair value through profit or loss		3,662,130	11,931,590
Government grants received	36	52,490	23,852
Placement of time deposits with original maturity over three months		(3,700,000)	(600,000)
Withdrawal of time deposits with original maturity over three months		2,400,000	-
Net cash flow used in investing activities		(691,134)	(2,344,681)
FINANCING ACTIVITIES			
Bank and other borrowings raised		2,234,516	2,017,776
Repayment of bank and other borrowings		(2,188,422)	(982,606)
Interest paid		(33,315)	(27,623)
Dividends paid		(820,580)	(714,550)
Dividends paid to non-controlling interests		(160,260)	(214,277)
Payment of lease liabilities		(21,796)	(16,454)
Capital contribution from non-controlling interests	46(i)(iii)	205,800	-
Other finance charges		-	(5,912)
Net cash flows (used in)/ generated from financing activities		(784,057)	56,354
Net increase/(decrease) in bank balances and cash		68,434	(145,850)
Cash and cash equivalents at 1 January		528,783	674,449
Effect of foreign exchange rate changes		52	184
Cash and cash equivalents at 31 December		597,269	528,783
Represented by:			
Cash and cash equivalents in the consolidated statement of financial position	32	597,269	528,777
Bank balance and cash under a disposal group classified as held for sale	40(a)(ii)	-	6
		597,269	528,783

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

1. General information

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

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

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

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

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

2. Adoption of IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards")

(a) Adoption of new or revised IFRS Accounting Standards

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

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

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

<u>Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2</u>

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

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

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

2. Adoption of IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") – Continued

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

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

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

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

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

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

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

3. Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable IFRS Accounting Standards and the disclosure requirements of the Hong Kong Companies Ordinance (the "**CO**"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments, which are measured at fair values as explained in the accounting policies set out below.

(c) Functional and presentation currency

The consolidated financial statements are presented in RMB, which is the same as the functional currency of the Group and all amounts are rounded to the nearest thousand ("**RMB'000**") except otherwise indicated.

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

4. Material accounting policies

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries, using consistent accounting policies. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. The carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them) is derecognised. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS Accounting Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting, when applicable, the cost on initial recognition of an interest in an associate or a joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses.

(b) Interests in associates and joint ventures

An associate is an entity over which the Group has significant influences. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the activities require unanimous consent of the parties sharing control.

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

4. Material accounting policies – Continued

(b) Interests in associates and joint ventures – Continued

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an interest in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net interests in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An interest in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the interest in an associate or joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired. In the Company's statement of financial position, interests in associates and joint ventures are carried at cost less impairment losses, if any. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

(c) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the profit or loss in the year in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings	1.80% to 6.79%
Plant and machinery	5.00% to 19.00%
Motor vehicles	6.00% to 19.00%
Computer and electronic equipment	18.00% to 19.40%
Office and other equipment	5.28% to 20.00%

Assets held under leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

4. Material accounting policies – Continued

(c) Property, plant and equipment – Continued

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents the items of property, plant and equipment under construction and pending installation, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the year of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

(d) Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. The principal annual rates used for depreciation purpose are 4.67% to 5%.

(e) Mining rights

Mining rights are stated at cost less accumulated amortisation and any impairment losses. The mining rights are amortised on the units of production method utilising only proved and probable mineral reserve in the depletion base.

(f) Leasing

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

(i) Right-of-use asset

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

The Group accounts for leasehold land and buildings that are held for rental or capital appreciation purpose under IAS 40 (see accounting policy (d)) and held for own use under IAS 16 (see accounting policy (c)) are carried at cost less accumulated depreciation and impairment losses. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

4. Material accounting policies – Continued

(f) Leasing – Continued

(ii) Lease liability

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

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

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

(iii) Accounting as a lessor

The Group leases certain of its buildings under operating lease arrangements with leases negotiated for terms from one year to ten years to CNOOC group companies and third-party companies. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

(g) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. Intangible assets with finite lives are subsequently amortised over the useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation year and the amortisation method for an intangible asset with a finite useful life are reviewed at the end of each reporting period.

Computer software

Computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of five years.

Patents and licences

Purchased patents and licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of ten years.

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

4. Material accounting policies – Continued

(h) Financial Instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("**FVTPL**"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("**FVOCI**"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through OCI. Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

FVTPL: Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

4. Material accounting policies – Continued

(h) Financial Instruments – Continued

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit losses ("**ECLs**") on trade receivables, contract assets, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

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

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

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

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

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

<u>Financial liabilities at amortised cost</u>

Financial liabilities at amortised cost including trade and other payables, borrowings, certain preference shares and the debt element of convertible loan note issued by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

4. Material accounting policies – Continued

(h) Financial Instruments – Continued

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

(j) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

4. Material accounting policies – Continued

(j) Revenue recognition – Continued

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(i) Sales of urea, methanol, phosphorus fertilisers which include MAP and DAP fertilisers and compounded fertiliser

Customers obtain control of the goods when the goods are delivered to and have been accepted. Revenue is thus recognised upon when the customers accepted the goods. There is generally only one performance obligation. Contracts generally have no rights of return and no variable consideration. Invoices are usually payable within 30 days. In the comparative period, revenue from sales of goods was recognised on transfer of risks and rewards of ownership, which was taken as at the time of delivery and the title is passed to customer.

(ii) Provision of port operation and transportation services

Revenue from provision of port operation, which including port loading and unloading services and transportation services, is recognised over time based on the services provided as the customers simultaneously receives and consumes the benefits of the Group's performance. The Group considers the port operation and transportation services as a single performance obligation.

Contract assets and liabilities

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

(k) Income taxes

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current year are measured at the amount expected to be recovered from or paid to the tax authorities, based on taxable profit for the year and tax rates that have been enacted or subsequently enacted by the end of the reporting year, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

4. Material accounting policies – Continued

(k) Income taxes – Continued

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting year and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting year and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

(l) Foreign currency

Foreign currency transactions are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

(m) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

4. Material accounting policies – Continued

(n) Employee benefits liability

The Group participates and makes contributions into the government-regulated defined contribution pension scheme, medical benefit plan and housing fund at a fixed percentage of wages and salaries of the existing full time employees in the PRC and have no further legal or constructive obligations to make additional contributions. The contributions are charged as an expense to the profit or loss as incurred.

The Company and the non-wholly owned subsidiaries of the Company, 海南八所港務有限責任公司 (transliterated as Hainan Basuo Port Limited) ("**Hainan Basuo Port**"), pay early retirement benefits to qualifying early retirees in accordance with an internal retirement plan and post-employment allowances to retired employees in accordance with the local labour regulations (collectively "**Employee benefits liability**"), as detailed in Note 34. The cost of providing the employee benefits liability is assessed using the projected unit credit method, with actuarial valuation method being carried out at the end of each reporting period. The Group's employee benefit liability costs include service cost, net interest expense and remeasurement. Remeasurement, including actuarial gains and losses, is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in the period in which they occur in other comprehensive income that will not be reclassified to profit or loss and reflected immediately in retained profits. Net interest is calculated by applying the discount rate at the beginning of the period to the net employee benefit liability. The service cost and net interest are included in cost of sales and administrative expenses.

(o) Impairment of assets (other than financial assets)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("**CGU**") to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or a CGU for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on a carrying value of each assets in the unit. The carrying amount of an assets is not reduced below the highest of its fair value less cost of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would be otherwise have been allocated to the asset is allocated pro rata to the other assets of the units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU) in prior years. A reversal of an impairment loss is recognised as income immediately.

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

4. Material accounting policies – Continued

(p) Provision and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expense for losses already incurred for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(r) Dividends

Final dividends proposed by the directors of the Company are classified as a separate allocation of retained profits within the equity section of the consolidated statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

(s) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

4. Material accounting policies – Continued

(s) Related parties – Continued

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. Critical accounting judgments and key sources of estimation uncertainty

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting year. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting year that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

(a) Impairment on non-financial assets

An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. It is difficult to precisely estimate fair value because quoted market prices for these assets or CGUs used in ways specific to the Group's operation may not be readily available, therefore management use the value in use model in determining the recoverable amount of the CGUs. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years approved by management and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested.

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

5. Critical accounting judgments and key sources of estimation uncertainty – Continued

(a) Impairment on non-financial assets – Continued

In determining the value in use, expected cash flows generated by the CGUs are discounted to their present value, which requires significant judgments and estimates with respect to the discount rate as well as the underlying cash flows. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions.

Notwithstanding that the Group has used all available information to make this estimation, inherent uncertainty exists and actual write-off may be higher than the amount estimated and will have an impact to profit or loss in the year in which such estimate is revised or when actual write-off occur.

(b) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. The assessment requires management to make estimates and assumptions relating to the future taxable profits and the period over which the deferred tax assets are expected be realised. In developing these estimations, management considers future earnings, availability of taxable temporary differences, and the ability of the Group's relevant subsidiaries to offset any of its accumulated losses against these expected profits. Where the actual or expected tax positions of the relevant subsidiaries of the Group in future are different from the original estimates and assumptions, such differences will impact the recognition of deferred tax assets and income tax charge in the year in which such estimates and assumptions has been changed. The amount of deferred tax assets are disclosed in Note 25.

(c) Write-down of inventories to net realisable value

The write-down of inventories to net realisable value is made based on the estimated net realisable value of the inventories. The assessment of the write-down involves management's judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, these differences will have an impact on the carrying amounts of the inventories and the write-down charge/write-back in the year in which these estimates have been changed. The amount of write-down of inventories is disclosed in Note 27.

(d) Impairment loss on trade receivables, contract assets, deposits and other receivables

As disclosed in Notes 28, 30(a) and 31, the measurement of impairment losses under both IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment if a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

(e) Depreciation of property, plant and equipment

The cost of items of property, plant and equipment is depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of plant and machinery to be 5 to 18 years, and other assets ranging from 5 to 50 years.

Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, and therefore depreciation charges might be revised in future.

The amount of depreciation of property, plant and equipment for the year ended 31 December 2023 is disclosed in Note 17.

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

5. Critical accounting judgments and key sources of estimation uncertainty – Continued

(f) Fair value measurement

A number of assets and liabilities included in the Group's consolidated financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

Level 1: Quoted prices in active markets for identical items (unadjusted);

Level 2: Observable direct or indirect inputs other than Level 1 inputs;

Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures certain financial instruments at fair value. The detailed information in relation to the fair value measurement of the financial instruments is disclosed in Note 44(b).

6. Operating segment information

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

(a) the urea segment is engaged in the manufacture and sale of urea;

(b) the phosphorus and compound fertiliser segment is engaged in the manufacture and sale of phosphorus fertilisers which include MAP and DAP and compound fertilisers;

(c) the methanol segment is engaged in the manufacture and sale of methanol; and

(d) the "others" segment mainly comprises segments engaged in port operations and provision of transportation services; trading of fertilisers and chemicals; manufacture and sale of Bulk Blending ("**BB**") fertiliser, POM, woven plastic bags and acrylonitrile.

The accounting policies of the operating segments are the same as the Group's accounting policies describe in Note 4. Segment performance is evaluated based on segment result and is measured consistently with profit before income tax in the consolidated financial statements. However, the Group's finance income, finance costs, exchange (losses)/gains, net, other gains and losses, net, other expenses, share of results of associates and joint ventures, gain on disposal of subsidiaries, impairment losses, change in fair value of financial assets at 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.

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

6. Operating segment information – Continued

Operating segments

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

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

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

6. Operating segment information – Continued

Operating segments – Continued

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

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

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

6. Operating segment information – Continued

Operating segments - Continued

1 Inter-segment revenues are eliminated on consolidation.

2 Segment assets do not include deferred tax assets, financial asset at FVOCI and interests in joint ventures and associates.

3 Segment liabilities do not include deferred tax liabilities and employee benefits liability.

Geographic information

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

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

(b) Non-current assets

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

Information about major customer

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

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

7. Revenue and other income

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

An analysis of revenue and other income is as follows:

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

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

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

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

8. Other gains and losses, net

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

9. Finance income

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

10. Finance costs

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

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

11. Profit before income tax

Profit before income tax is arrived at after charging:

	2023 RMB'000	2022 RMB'000
Cost of inventories sold	**10,470,656**	11,421,107
Write-down of inventories	**104,493**	20,654
Cost of services provided	**353,613**	300,646
Cost of sales recognised as expenses	**10,928,762**	11,742,407
Depreciation and amortisation*:		
Depreciation of property, plant and equipment		
- Owned property, plant and equipment	**567,787**	517,249
- Right-of-use assets included:		
- Buildings	**20,298**	15,739
- Plant and machinery	**-**	2,789
- Motor vehicles	**363**	-
Amortisation of mining rights	**1,063**	1,103
Amortisation of prepaid lease payments	**9,704**	15,118
Amortisation of investment properties	**4,192**	5,314
Amortisation of intangible assets	**24,107**	9,515
	627,514	566,827
Impairment loss on investment properties (Note 20)	**2,690**	15,688
Expect credit losses on trade and other receivables (Note 28 and 31)	**3,493**	7,792
	6,183	23,480
Auditors' remuneration:		
- Audit services	**2,970**	2,970
- Other services	**85**	1,995
Employee benefit expense (including directors' and supervisors' remunerations explained in Note 12):		
- Wages and salaries	**872,824**	902,758
- Defined contribution pension scheme	**255,870**	228,596
- Early retirement benefits and post-employment allowances	**7,492**	17,563
- Housing fund	**88,775**	79,241
- Other benefits	**86,788**	110,505

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

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

12. Key management personnel remuneration

Details of the directors' and supervisors' remuneration for the year disclosed pursuant to the applicable Listing Rules and CO are as follows:

	Group	
	2023	2022
	RMB'000	RMB'000
Fee	**-**	-
Other emoluments		
Salaries and other allowances	**1,151**	1,432
Discretionary bonuses	**1,116**	1,971
Pension scheme contributions	**331**	423
	2,598	3,826

The remuneration of each of the directors and supervisors of the Group for the year ended 31 December 2023 was set out below:

	Fee RMB'000	Salaries and other allowances RMB'000	Discretionary bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Directors					
Non-executive directors					
Shao Lihua (Note 1)	**-**	**-**	**-**	**-**	**-**
Yang Dongzhao (Note 2)	**-**	**-**	**-**	**-**	**-**
Zhao Baoshun (Note 3)	**-**	**-**	**-**	**-**	**-**
Huang Hulong (Note 4)	**-**	**-**	**-**	**-**	**-**
	-	**-**	**-**	**-**	**-**

The non-executive directors' remunerations shown above were for their services as directors of the Company.

	Fee RMB'000	Salaries and other allowances RMB'000	Discretionary bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors					
Hou Xiaofeng	**-**	**210**	**370**	**116**	**696**
Li Zhi (Note 5)	**-**	**-**	**-**	**-**	**-**
Li Ruiqing (Note 6)	**-**	**270**	**300**	**112**	**682**
	-	**480**	**670**	**228**	**1,378**

The executive directors' remunerations shown above were for their services in connection with the management of the affairs of the Company and the Group.

	Fee RMB'000	Salaries and other allowances RMB'000	Discretionary bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Independent non-executive directors					
Yu Changchun	**-**	**130**	**-**	**-**	**130**
Lin Feng	**-**	**260**	**-**	**-**	**260**
Xie Dong	**-**	**130**	**-**	**-**	**130**
	-	**520**	**-**	**-**	**520**

The independent non-executive directors' remunerations shown above were for their services as directors of the Company.

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

12. Key management personnel remuneration – Continued

The remuneration of each of the directors and supervisors of the Group for the year ended 31 December 2023 was set out below: – Continued

	Fee RMB'000	Salaries and other allowances RMB'000	Discretionary bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Supervisors					
Liu Lijie	-	**86**	**446**	**103**	**635**
Li Xiaoyu	-	**65**	-	-	**65**
Liu Jianyao (Note 7)	-	-	-	-	-
Zhang Bing (Note 8)	-	-	-	-	-
	-	**151**	**446**	**103**	**700**

The supervisors' remunerations shown above were for their services as supervisors of the Company or its subsidiaries.

Total	-	**1,151**	**1,116**	**331**	**2,598**

Notes:

1 Shao Lihua being appointed as non-executive director on 22 December 2023.

2 Yang Dongzhao being appointed as non-executive director on 22 December 2023.

3 Zhao Baoshun resigned as non-executive director on 22 December 2023.

4 Huang Hulong resigned as non-executive director on 22 December 2023.

5 Li Zhi resigned as executive director on 28 March 2023.

6 Li Ruiqing being appointed as executive director on 25 May 2023.

7 Liu Jianyao resigned as supervisor on 22 December 2023.

8 Zhang Bing being appointed as supervisor on 22 December 2023.

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

12. Key management personnel remuneration – Continued

The remuneration of each of the directors and supervisors of the Group for the year ended 31 December 2022 was set out below:

	Fee RMB'000	Salaries and other allowances RMB'000	Discretionary bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Directors					
Non-executive directors					
Zhao Baoshun	-	221	580	104	905
Huang Hulong	-	-	-	-	-
	-	221	580	104	905

The non-executive directors' remunerations shown above were for their services as directors of the Company.

	Fee RMB'000	Salaries and other allowances RMB'000	Discretionary bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors					
Wang Weimin (Note 1)	-	55	60	17	132
Hou Xiaofeng	-	231	633	106	970
Li Zhi	-	260	583	101	944
	-	546	1,276	224	2,046

The executive directors' remunerations shown above were for their services in connection with the management of the affairs of the Company and the Group.

	Fee RMB'000	Salaries and other allowances RMB'000	Discretionary bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Independent non-executive directors					
Yu Changchun	-	130	-	-	130
Lin Feng	-	252	-	-	252
Xie Dong	-	126	-	-	126
	-	508	-	-	508

The independent non-executive directors' remunerations shown above were for their services as directors of the Company.

	Fee RMB'000	Salaries and other allowances RMB'000	Discretionary bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Supervisors					
Liu Lijie	-	92	115	95	302
Li Xiaoyu	-	65	-	-	65
Liu Jianyao	-	-	-	-	-
	-	157	115	95	367

The supervisors' remunerations shown above were for their services as supervisors of the Company or its subsidiaries.

	Fee RMB'000	Salaries and other allowances RMB'000	Discretionary bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Total	-	1,432	1,971	423	3,826

Notes:

1 Wang Weimin resigned as executive director on 30 March 2022.

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

13. Five highest paid employees

The five highest employees of the Group during the year are analysed as follows:

	2023 Number	2022 Number
Directors and supervisors	3	3
Non-director and non-supervisor employees	2	2
	5	5

Details of the remunerations of non-director and non-supervisor highest paid employees during the year are as follows:

	2023 RMB'000	2022 RMB'000
Salaries and other allowances	442	406
Discretionary bonuses	854	1,095
Pension scheme contributions	222	207
	1,518	1,708

The number of the highest paid employees who are non-director and non-supervisor whose remunerations fell within the following bands is as follows:

	2023 Number	2022 Number
RMBNil to RMB1,000,000	2	2

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

14. Income tax expenses

	2023 RMB'000	2022 RMB'000
Current tax		
PRC Enterprise Income Tax	380,015	475,136
Deferred tax (Note 25)	(99,575)	355
	280,440	475,491
Under/(over)-provision in respect of prior year	9,447	(3,454)
	289,887	472,037

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

(a) Enterprise Income Tax ("EIT")

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

(b) Hong Kong Profits Tax

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

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

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

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

15. Proposed dividends

	2023 RMB'000	2022 RMB'000
Proposed dividends – RMB0.207 (2022: RMB0.178) per ordinary share	**954,270**	820,580

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

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

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

16. Earnings per share attributable to owners of the Company

	2023 RMB'000	2022 RMB'000
Earnings		
Profits for the year attributable to owners of the Company	**2,381,681**	1,642,578

	Number of shares	
	2023 '000	2022 '000
Shares		
Number of shares in issue during the year	**4,610,000**	4,610,000

The Company did not have any potential ordinary shares outstanding to be issued during the years ended 31 December 2023 and 2022. Diluted earnings per share is equal to basic earnings per share.

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

17. Property, plant and equipment

	Land and buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Computer and electronic equipment RMB'000	Office and other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost at 1 January 2023, net of accumulated depreciation and impairment	**1,897,756**	**2,651,426**	**28,614**	**47,479**	**253,390**	**2,159,069**	**7,037,734**
Additions	**21,132**	**5,274**	**3,639**	**1,612**	**2,267**	**616,472**	**650,396**
Disposals	**(647)**	**(327)**	**(150)**	**(469)**	**(211)**	**(11,343)**	**(13,147)**
Transfer	**217,643**	**2,000,919**	**220**	**61,235**	**8,011**	**(2,288,028)**	**-**
Transfer to intangible assets	**-**	**-**	**-**	**-**	**-**	**(19,075)**	**(19,075)**
Depreciation	**(173,726)**	**(377,138)**	**(11,615)**	**(20,644)**	**(5,325)**	**-**	**(588,448)**
Disposal of subsidiaries	**(8,388)**	**84,154**	**(30)**	**-**	**(284)**	**-**	**75,452**
Costs at 31 December 2023, net of accumulated depreciation and impairment	**1,953,770**	**4,364,308**	**20,678**	**89,213**	**257,848**	**457,095**	**7,142,912**
At 31 December 2023							
Cost	**4,734,633**	**11,364,967**	**151,542**	**1,154,728**	**615,570**	**524,642**	**18,546,082**
Accumulated depreciation and impairment	**(2,780,863)**	**(7,000,659)**	**(130,864)**	**(1,065,515)**	**(357,722)**	**(67,547)**	**(11,403,170)**
Net carrying amounts	**1,953,770**	**4,364,308**	**20,678**	**89,213**	**257,848**	**457,095**	**7,142,912**
Cost at 1 January 2022, net of accumulated depreciation and impairment	2,147,733	2,951,384	39,951	48,238	252,760	1,302,444	6,742,510
Additions	32,770	14,692	1,482	6,788	2,451	1,150,443	1,208,626
Disposals	(2,963)	(285)	(489)	(1,043)	(114)	(6,270)	(11,164)
Transfer	16,507	242,621	1,086	14,423	2,227	(276,864)	-
Depreciation	(175,515)	(323,149)	(12,252)	(20,927)	(3,934)	-	(535,777)
Transfer to a disposal group classified as held for sales (Note 40 (a)(ii))	(120,776)	(233,837)	(1,164)	-	-	(10,684)	(366,461)
Costs at 31 December 2022, net of accumulated depreciation and impairment	1,897,756	2,651,426	28,614	47,479	253,390	2,159,069	7,037,734
At 31 December 2022							
Cost	4,523,812	9,286,107	150,144	1,095,829	609,839	2,226,617	17,892,348
Accumulated depreciation and impairment	(2,626,056)	(6,634,681)	(121,530)	(1,048,350)	(356,449)	(67,548)	(10,854,614)
Net carrying amounts	1,897,756	2,651,426	28,614	47,479	253,390	2,159,069	7,037,734

The Group has no capitalised borrowing costs on qualifying assets during the year (2022: RMBNil).

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

17. Property, plant and equipment – Continued

Right-of-use assets

	Motor vehicles RMB'000	Plant and machinery RMB'000	Buildings RMB'000	Prepaid lease payments RMB'000	Total RMB'000
At 1 January 2023	-	-	**24,369**	**359,510**	**383,879**
Additions	**1,483**	-	**17,649**	**209**	**19,341**
Depreciation	**(363)**	-	**(20,298)**	**(9,704)**	**(30,365)**
Disposal	**(203)**	-	-	-	**(203)**
Disposal of subsidiaries	-	-	**(916)**	**(7,240)**	**(8,156)**
At 31 December 2023	**917**	-	**20,804**	**342,775**	**364,496**
At 1 January 2022	-	15,106	8,877	533,210	557,193
Additions	-	-	33,473	-	33,473
Depreciation	-	(2,789)	(15,739)	(15,118)	(33,646)
Disposal	-	-	(478)	(479)	(957)
Transfer to a disposal group classified as held for sale	-	(12,317)	(1,764)	(158,103)	(172,184)
At 31 December 2022	-	-	24,369	359,510	383,879

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

18. Mining rights

	2023 RMB'000	2022 RMB'000
Cost as at 1 January, net of accumulated amortisation	**129,176**	130,279
Amortisation for the year	**(1,063)**	(1,103)
Cost as at 31 December, net of accumulated amortisation	**128,113**	129,176

	2023 RMB'000	2022 RMB'000
As at 31 December		
Cost	**158,665**	158,665
Accumulated amortisation	**(30,552)**	(29,489)
Net carrying amount	**128,113**	129,176

19. Prepaid lease payments

	2023 RMB'000	2022 RMB'000
Carrying amount as at 1 January	**359,510**	533,210
Additions	**209**	-
Amortisation for the year	**(9,704)**	(15,118)
Disposals	**-**	(479)
Transfer to a disposal group classified as held for sale (Note 40(a)(ii))	**-**	(158,103)
Disposal of subsidiaries (Note 40(b))	**(7,240)**	-
Carrying amount as at 31 December	**342,775**	359,510

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

20. Investment properties

	Total RMB'000
Cost	
At 1 January 2022, 31 December 2022 and 1 January 2023	**124,491**
Additions	**10,667**
At 31 December 2023	**135,158**
Depreciation and impairment	
At 1 January 2022	38,295
Depreciation for the year	5,314
Impairment loss for the year	15,688
At 31 December 2022 and 1 January 2023	**59,297**
Depreciation for the year	**4,192**
Impairment loss for the year	**2,690**
At 31 December 2023	**66,179**
Carrying amounts	
At 31 December 2023	**68,979**
At 31 December 2022	65,194

Fair value measurement of the investment properties:

The following table presents the fair value of the Group's investment properties measured at the end of the reporting period, categorised into three–level fair value hierarchy as defined in IFRS13 "Fair Value Measurement".

	Fair value measurement categorised into significant unobservable inputs (level 3)	
	2023 RMB'000	2022 RMB'000
Recurring fair value measurement		
Investment properties	**68,979**	65,194

As at 31 December 2023, the carrying value of the aforesaid investment properties was RMB68,979,000, and the directors of the Company carried out the review of the recoverable amounts of the investment properties using the fair value based on a valuation carried out by China Enterprise Appraisals, an independent valuer not connected with the Group. The fair value was determined based on the direct comparison approach and there has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

21. Intangible assets

	Computer Software RMB'000	Patents and licences RMB'000	Total RMB'000
Cost as at 1 January 2023, net of accumulated amortisation	**19,517**	**13,339**	**32,856**
Additions	**23,255**	**101,503**	**124,758**
Transfer from construction in progress	**19,075**	**-**	**19,075**
Amortisation for the year	**(15,025)**	**(9,082)**	**(24,107)**
Disposal of subsidiaries (Note 40(b))	**(17)**	**-**	**(17)**
Cost as at 31 December 2023, net of accumulated amortisation	**46,805**	**105,760**	**152,565**
As at 31 December 2023			
Cost	**124,993**	**138,327**	**263,320**
Accumulated amortisation	**(78,188)**	**(32,567)**	**(110,755)**
Net carrying amounts	**46,805**	**105,760**	**152,565**
Cost as at 1 January 2022, net of accumulated amortisation	23,554	16,286	39,840
Additions	3,263	-	3,263
Amortisation for the year	(6,588)	(2,927)	(9,515)
Transfer to a disposal group classified as held for sale (Note 40(a)(ii))	(712)	(20)	(732)
Cost as at 31 December 2022, net of accumulated amortisation	19,517	13,339	32,856
As at 31 December 2022			
Cost	83,204	36,824	120,028
Accumulated amortisation	(63,687)	(23,485)	(87,172)
Net carrying amounts	19,517	13,339	32,856

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

22. Interests in joint ventures

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

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

The Group's trade receivables, other receivables and trade payables with its joint ventures are disclosed in Notes 28, 31 and 37 respectively.

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

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

Notes:

(i) These entities established in the PRC are domestic limited liability companies.

(ii) The English translation of the company names of the companies established in the PRC is for reference only. The official names of these joint ventures are in Chinese.

(iii) Upon the amendment of the articles of the entity on 4 July 2023, each of the shareholders of the entity has the right to appoint equal numbers of directors who represent in the board of directors' meeting of the entity. The 36.56% of equity interest of the entity held by the Group was transferred from interests in associates (Note 23) to interests in joint ventures.

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

22. Interests in joint ventures – Continued

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

	Guizhou Jinlin Chemical Co., Ltd.	
	2023	2022
	RMB'000	RMB'000
As 31 December		
Current assets	**179,578**	322,567
Non-current assets	**674,729**	495,943
Current liabilities	**(56,915)**	(40,090)
Non-current liabilities	**(20,861)**	(5,160)
Year ended 31 December		
Revenue	**31,628**	1,336
Profit/(loss) and total comprehensive income	**3,271**	(4,464)
Reconciled to the Group's interests in the joint venture		
Gross amounts of net assets of the joint venture	**776,531**	773,260
Group's effective equity interest	**33.99%**	33.99%
Group's share of net assets of the joint venture and carrying amount in the consolidated financial statements	**263,943**	262,831

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

	2023	2022
	RMB'000	RMB'000
The Group's share of (losses)/profits and other comprehensive income	**(3,239)**	7,820
Aggregate carrying amounts of the Group's interests in joint ventures that are not individually material	**29,962**	32,413

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

23. Interests in associates

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

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

The Group's trade receivables, contract liabilities, other receivables, trade payables and other payables with its associates are disclosed in Notes 28, 30, 31, 37 and 38 respectively.

Particulars of the associates of the Group are set out as follows:

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

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

23. Interests in associates – Continued

Notes:

(i) These entities established in the PRC are domestic limited liability companies.

(ii) The English translation of the company names of the associates established in the PRC is for reference only. The official names of these associates are in Chinese.

(iii) Upon the completion of the capital increase agreement disclosed in Note 40(b), the remaining equity interest of 34% in Guangxi Fudao held by the Group was recognised as interests in associates.

(iv) New Material Company (formerly known as CNOOC Tianye Chemical Limited), upon the completion of the equity transaction agreement disclosed in Note 40(a), the remaining equity interest of 25.27% in New Material Company held by the Group was recognised as interests in associates.

(v) The equity interest of 45.21% of the entity was held by New Material Company. Upon the completion of the equity transaction agreement of New Material Company disclosed in Note 40(a), the entity ceased to be an associate of the Group. The carrying amount of this entity was fully impaired as at 31 December 2022.

(vi) Upon the amendment of the articles of the entity on 4 July 2023, each of the shareholders of the entity has the right to appoint equal numbers of directors who represent in the board of directors' meeting of the entity. The 36.56% of equity interest of the entity held by the Group was transferred from interest in associates to interests in joint ventures (Note 22).

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

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

24. Other financial assets

	2023 RMB'000	2022 RMB'000
Non-current		
Financial asset at FVOCI	600	600
Current		
Financial assets at FVTPL	2,893,726	3,617,572

Financial asset at FVOCI represents unlisted equity investment. The fair value of unlisted equity investment is determined based on transaction price and factors or events that have occurred after the acquisition date. Since there was no significant change in market condition or the performance and operation of the investee, the directors of the Company considered the fair value of the unlisted equity investment was approximately its carrying amount.

Financial assets at FVTPL represent wealth management products in licensed bank. Change in fair value of financial assets at FVTPL of RMB88,284,000 (2022: RMB93,040,000) was recognised during the year. The wealth management products will mature on 23 February 2024, 2 April 2024, 24 April 2024, 20 May 2024, 7 June 2024 and 26 June 2024 (2022: the wealth management products were mature on 15 May 2023, 18 May 2023 and 26 June 2023).

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

25. Deferred tax assets/liabilities

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2023 RMB'000	2022 RMB'000
Deferred tax assets	155,122	53,356
Deferred tax liabilities	(16,430)	(14,217)
	138,692	39,139

The following are the major deferred tax liabilities and assets recognised and movements during the current and prior year:

	Accelerated tax depreciation RMB'000	Impairment losses RMB'000	Wages and salaries RMB'000	Fair value adjustment on acquisition of subsidiaries RMB'000	Unused tax losses RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2022	17,397	2,538	-	(27,331)	-	17,582	10,186
(Charge)/credit to profit or loss	(30,822)	34,959	-	-	-	(4,492)	(355)
Transfer to a disposal group classified as held for sale (Note 40(a)(ii))	2,808	-	-	26,500	-	-	29,308
As at 31 December 2022 and 1 January 2023	(10,617)	37,497	-	(831)	-	13,090	39,139
(Charge)/credit to profit of loss	(5,813)	6,161	207	831	100,092	(1,903)	99,575
Disposal of subsidiaries (Note 40(b))	-	-	-	-	-	(22)	(22)
As at 31 December 2023	(16,430)	43,658	207	-	100,092	11,165	138,692
Represented by:							
Deferred tax assets	-	43,658	207	-	100,092	11,165	155,122
Deferred tax liabilities	(16,430)	-	-	-	-	-	(16,430)

As at 31 December 2023, the Group has unused tax losses of RMB656,892,000 (2022: RMB189,086,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB400,368,000 (31 December 2022: RMBNil) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately RMB256,524,000 (31 December 2022: RMB189,086,000), due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of RMB256,524,000 (31 December 2022: RMB189,086,000) that will expire in 5 years.

At the end of the reporting period, the Group has deductible temporary differences of RMB423,922,000 (2022: RMB416,550,000) that has not been recognised as deferred tax assets as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

26. Loan receivable

Loan receivable comprises of:

	2023 RMB'000	2022 RMB'000
Unsecured loan		
- principal	208,252	-
- interest	156	-
	208,408	-

The Group's loan receivable is due from an associate, New Material Company, and denominated in RMB. The loan receivable is unsecured, interest-bearing at 3.75% per annum and repayable on 8 May 2026.

A maturity profile of the loan receivable as at the end of the reporting periods, based on the maturity date, is as follows:

	2023 RMB'000	2022 RMB'000
Over two years but within three years	208,408	-

27. Inventories

	2023 RMB'000	2022 RMB'000
Raw materials and spare parts	465,924	535,196
Work in progress	265,122	253,008
Finished goods	303,510	495,464
	1,034,556	1,283,668
Write-down	(60,106)	(68,933)
Transfer to a disposal group classified as held for sale (Note 40(a)(ii))	-	(24,741)
Net realisable value	974,450	1,189,994

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

28. Trade receivables

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

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

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

	2023 RMB'000	2022 RMB'000
Within one year	47,122	284,434
Over one year but within two years	1,265	150
Over two years but within three years	8,126	-
	56,513	284,584

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

	2023 RMB'000	2022 RMB'000
Not past due	47,122	284,434
Past due within one year	1,265	150
Past due within two years	8,126	-
	56,513	284,584

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

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

The expected credit losses ("**ECLs**") are assessed collectively for receivables that were not credit-impaired and individually for credit-impaired trade receivables with an aggregate carrying amount of RMB977,000 (2022: RMBNil). The Group assessed impairment loss based on the accounting policy stated in Note 4(h)(ii) for the years ended 31 December 2023 and 2022. Further details on the group's credit policy and credit risk arising from trade receivables are set out in Note 45(iii).

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

	2023 RMB'000	2022 RMB'000
Balance at beginning of the year	-	-
Provision of impairment loss	977	-
Balance at end of the year	977	-

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

28. Trade receivables - Continued

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

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

29. Bills receivable

The bills receivable of the Group as at 31 December 2023 and 2022 all mature within twelve months.

At 31 December 2023, the Group has transferred bills receivable having maturity less than twelve months from the reporting dates to its suppliers to settle its payables through endorsing the bills to its suppliers amounted to RMB247,924,000 (2022: RMB152,116,000). The Group has derecognised these bills receivable and the payables to suppliers in their entirety. In the opinion of the directors of the Company, the Group has limited exposure in respect of the settlement obligation of these bills receivable under relevant PRC rules and regulations should the issuing bank failed to settle the bills on maturity date. The Group considered the issuing banks of the bills are of good credit quality and the risk of non-settlement by the issuing banks on maturity is insignificant.

As at 31 December 2023, the Group's maximum exposure to loss, which is same as the amount payable by the Group to banks or the suppliers in respect of the endorsed bills, should the issuing banks fail to settle the bills on maturity date, amounted to RMB247,924,000 (2022: RMB152,116,000).

The fair value of bills receivable are close to their carrying amounts given all bills receivable will mature within twelve months.

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

30. Contract assets and contract liabilities

(a) Contract assets

Amounts represent the Group's rights to consideration from customers for the provision of port operation and transportation services but not billed at the end of the reporting period under such contracts. Any amounts previously recognised as a contract asset is reclassified to trade receivables at the point at which it becomes unconditional and is invoiced to the customers.

	2023 RMB'000	2022 RMB'000
Contract assets arising from:		
Provision of port operation and transportation services	20,188	11,612

The expected timing of recovery or settlement for contract assets as at 31 December 2023 is as follows:

	2023 RMB'000	2022 RMB'000
Within one year	20,188	11,612

As at 31 December 2023, the amount due from CNOOC group companies included in the above contract assets amounted to RMB11,003,000 (2022: RMB8,708,000).

(b) Contract liabilities

Contract liabilities represent the Group's obligation to transfer goods or services to customers for which the Group has received consideration (or an amount of consideration is due) from the customer.

	2023 RMB'000	2022 RMB'000
Contract liabilities arising from:		
Sale of goods	610,135	782,618

	2023 RMB'000	2022 RMB'000
Balance as at 1 January	782,618	811,122
Decrease in contract liabilities as a result of recognition of revenue during the year	(775,327)	(810,058)
Increase in contract liabilities as a result of billing in advance of sales of goods	602,844	781,554
Balance as at 31 December	610,135	782,618

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

30. Contract assets and contract liabilities - Continued

(b) Contract liabilities - Continued

The expected timing of recognising as revenue for contract liabilities as at 31 December 2023 is as follows:

	2023 RMB'000	2022 RMB'000
Within one year	**609,972**	775,327
Over one year but within two years	**3**	7,170
Over two years but within three years	**47**	121
Over three years	**113**	-
	610,135	782,618

As at 31 December 2023, the amounts due to the ultimate holding company, CNOOC group companies and associates included in the above contract liabilities can be analysed as follow:

	2023 RMB'000	2022 RMB'000
Ultimate holding company	**-**	4,717
CNOOC group companies	**30,595**	93,441
Associates	**27,631**	6,628
	58,226	104,786

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

31. Prepayments, deposits and other receivables

	2023 RMB'000	2022 RMB'000
Prepayments	**343,453**	108,685
Deposits and other receivables	**549,477**	497,320
Less: impairment loss	**(2,516)**	(8,857)
	890,414	597,148
Transfer to a disposal group classified as held for sale (Note 40(a)(ii))	**-**	(8,908)
	890,414	588,240

Movement in the loss allowance in respect of other receivables during the year is as follows:

	2023 RMB'000	2022 RMB'000
Balance at beginning of the year	**7,792**	1,065
Provision of impairment loss	**2,516**	7,792
Written off of impairment loss	**(7,792)**	-
	2,516	8,857
Transfer to a disposal group classified as held for sale (Note 40(a)(ii))	**-**	(1,065)
Balance at end of the year	**2,516**	7,792

The impairment loss relates to the estimated credit losses on certain other receivables, there was neither significant increase in credit risk since initial recognition nor credit impairment that has occurred during the year. The loss allowance for these receivables was limited to 12 months ECLs.

Apart from the loss allowance mentioned above, none of the above assets is either past due or impaired. The financial assets included in the above balances related to receivables for which there was no recent history of default.

The amounts due from the ultimate holding company, CNOOC group companies, associates and joint venture included in the above, which are unsecured, non-interest bearing and have no fixed repayment terms, can be analysed as follows:

	2023 RMB'000	2022 RMB'000
Ultimate holding company	**-**	50
CNOOC group companies	**303,623**	4,986
Associates	**35,950**	296
Joint venture	**14,296**	-
	353,869	5,332

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

32. Cash and cash equivalents, pledged bank deposits and time deposits with maturity over three months

	2023 RMB'000	2022 RMB'000
Cash and bank and financial institution balances	10,307,388	8,932,980
Less: Pledged bank deposits	(10,119)	(4,203)
Time deposits with original maturity over three months	(9,700,000)	(8,400,000)
Cash and cash equivalents in the consolidated statement of financial position	597,269	528,777
Bank balance and cash under a disposal group classified as held for sale (Note 40(a)(ii)	-	6
Cash and cash equivalents in the consolidated statement of cash flows	597,269	528,783

The Group's cash and bank balances were denominated in RMB as at 31 December 2023 and 2022, except for (i) RMB5,200,000 (2022: RMB3,666,000) which was translated from US$734,000 (2022: US$526,000) and (ii) RMB6,000 (2022: RMB6,000) which was translated from HK$7,000 (2022: HK$7,000).

The RMB is not freely convertible into other currencies. However, under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

As at 31 December 2023, included in the Group's cash and cash equivalents were RMB399,725,000 (2022: RMB396,374,000) deposited in CNOOC Finance Corporation Limited ("**CNOOC Finance**"), a licensed financial institution, which is a subsidiary of the ultimate holding company.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates.

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

33. Issued capital

	2023		2022	
	Number of shares '000	**Nominal value RMB'000**	Number of shares '000	Nominal value RMB'000
Registered capital	**4,610,000**	**4,610,000**	4,610,000	4,610,000
Issued and fully paid:				
Domestic Shares of RMB1 each, currently not listed:				
- State-owned shares	**2,739,000**	**2,739,000**	2,739,000	2,739,000
- Other legal person shares	**75,000**	**75,000**	75,000	75,000
Unlisted Foreign Shares of RMB1 each	**-**	**-**	25,000	25,000
H shares of RMB1 each	**1,796,000**	**1,796,000**	1,771,000	1,771,000
As at 31 December	**4,610,000**	**4,610,000**	4,610,000	4,610,000

34. Employee benefits liability

The Company provides post-employment allowances and early retirement benefits to employees and qualifying retirees. Hainan Basuo Port provides early retirement benefits to qualifying retirees.

	2023 RMB'000	2022 RMB'000
Post-employment allowances	**44,991**	44,304
Early retirement benefits	**213,201**	250,073
Total employee benefits liability	**258,192**	294,377

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

34. Employee benefits liability - Continued

Management of post-employment allowances and early retirement benefits are as follows:

	Post-employment allowances RMB'000	Early retirement benefits RMB'000
At 1 January 2022	-	6,059
Transfer from other long-term liabilities*	33,090	275,352
Service cost	-	8,234
Net interest cost	1,124	8,205
Benefits paid	(1,878)	(47,777)
Remeasurement loss recognised in other comprehensive income	11,968	-
At 31 December 2022 and 1 January 2023	**44,304**	**250,073**
Service cost	**-**	**220**
Net interest cost	**1,499**	**4,852**
Benefits paid	**(1,983)**	**(41,944)**
Remeasurement loss recognised in other comprehensive income	**1,171**	**-**
At 31 December 2023	**44,991**	**213,201**

The principal assumptions used in determining post-employment allowances and early retirement benefits of the Group as at 31 December 2023 are shown below:

	Post-employment allowances		Early retirement benefits	
	2023	2022	**2023**	2022
Discount rate				
- The Company*	**2.75%**	3.00%	**2.50%**	2.50%
- Hainan Basuo Port	**N/A**	N/A	**2.40%**	2.40%
Annual growth rate of employee benefits				
- The Company*	**0%**	0%	**2.50%**	2.50%
- Hainan Basuo Port	**N/A**	N/A	**7.00%**	7.00%

* Upon the suspension of Urea and Methanol operations of New Material Company in 2021, the employees and labours have been laid off or replacement to other companies within the Group, severance payments for post-employment allowances and early retirement benefits of RMB33,090,000 and RMB275,352,000 respectively, which were performed by an independent actuary service provider, were recognised as other expenses during the year ended 31 December 2021. During the year ended 31 December 2022, the total severance payments of RMB308,442,000 have been transferred from other long-term liabilities to employee benefits liability.

The directors of the Company have reviewed the actuarial valuation as at 31 December 2023 which was performed by an independent actuary service provider, using the valuation method detailed under Note 4(n), and considered that the Group's current provision for the net benefit expenses was adequate as at 31 December 2023. The directors of the Group do not expect significant changes in principal assumptions.

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

35. Interest-bearing bank and other borrowings

	2023 RMB'000	2022 RMB'000
Within one year	**651,691**	869,149
More than one year, but not more than two years	**188,000**	-
More than two years, but not more than five years	**871,000**	398,300
More than five years	**290,275**	787,462
	2,000,966	2,054,911
Analysed for reporting purposes as:		
Current	**651,691**	869,149
Non-current	**1,349,275**	1,185,762

As at 31 December 2023, bank borrowings of RMB1,800,789,000 (2022: RMB883,713,000) were unsecured with effective interest rate of 2.15%-3.35% per annum (2022: 3.15%-3.35%), payable within 2024 to 2033 (2022: payable within 2023 to 2027). The amounts due were based on the scheduled repayment dates set out in the loan agreements.

As at 31 December 2023, other borrowings of RMB200,177,000 (2022: RMB1,171,198,000) were unsecured and due to the CNOOC Finance with effective interest rates of 3.75% per annum (2022: 2.80%-3.75%), payable within 2029 (2022: payable within 2023 to 2029). The amounts due were based on the scheduled repayment dates set out in the loan agreements.

36. Deferred revenue

Deferred revenue represents government grants. The deferred revenue generated from government grants is recognised in the consolidated statement of profit or loss and other comprehensive income according to the depreciation periods of the related assets and the periods in which the related costs incurred.

	2023 RMB'000	2022 RMB'000
Balance at beginning of the year	**112,000**	125,804
Additions	**52,490**	23,852
Credited to consolidated statement of profit or loss	**(34,553)**	(32,084)
Transfer to a disposal group classified as held for sale (Note 40(a)(ii))	**-**	(5,572)
Balance at end of the year	**129,937**	112,000

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

37. Trade payables

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

	2023 RMB'000	2022 RMB'000
Trade payables	1,138,388	1,586,013
Transfer to a disposal group classified as held for sale (Note 40(a)(ii))	-	(239,530)
	1,138,388	1,346,483

	2023 RMB'000	2022 RMB'000
Within one year	1,096,734	1,283,080
Over one year but within two years	35,508	61,585
Over two years but within three years	5,367	415
Over three years	779	1,403
	1,138,388	1,346,483

As at 31 December 2023, the amounts due to ultimate holding company, CNOOC group companies, associate, joint venture and Other Related Parties included in the above, which are unsecured, non-interest bearing and have no fixed repayment terms, can be analysed as follows:

	2023 RMB'000	2022 RMB'000
Ultimate holding company	-	1,285
CNOOC group companies	359,937	522,942
Associate	3,474	1
Joint venture	-	325
Other Related Parties	5,646	5,982
	369,057	530,535

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

38. Other payables and accruals

	2023 RMB'000	2022 RMB'000
Accrued payroll	185,130	169,365
Other payables	177,464	170,810
Payable to government	16,975	18,528
Other tax payables	99,515	93,422
Port construction fee payable	158,773	158,773
Payables in relation to the construction and purchase of property, plant and equipment	3,054	49,919
	640,911	660,817
Transfer to a disposal group classified as held for sale (Note 40(a)(ii))	-	(32,751)
	640,911	628,066

The amounts due to the CNOOC group companies and associate included in the above, which are unsecured, non-interest bearing and have no fixed repayment terms, can be analysed as follows:

	2023 RMB'000	2022 RMB'000
CNOOC group companies	3,255	34,503
Associate	6,998	-
	10,253	34,503

39. Leases

Nature of leasing activities (in the capacity as lessee)

The group leases a number of properties in the jurisdictions from which it operates. The periodic rent is fixed over the lease term.

The Group also leases certain items of plant and machinery. Leases of plant and machinery comprise only fixed payments over the lease terms.

RIGHT-OF-USE ASSETS

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	2023 RMB'000	2022 RMB'000
Ownership interests in leasehold land, carried at amortised cost (Note 19)	342,775	359,510
Other properties leased for own use, carried at depreciated cost (Note 17)	20,804	24,369
Motor vehicles, carried at depreciated cost (Note 17)	917	-

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

39. Leases - Continued

LEASE LIABILITIES

	Motor vehicles RMB'000	Plant and machinery RMB'000	Land and buildings RMB'000	Total RMB'000
For the year ended 31 December 2023				
At 1 January 2023	-	-	**23,444**	**23,444**
Additions	**1,483**	-	**17,649**	**19,132**
Interest expense	**42**	-	**828**	**870**
Lease payments	**(380)**	-	**(21,416)**	**(21,796)**
Disposal	**(206)**	-	-	**(206)**
Disposal of subsidiaries (Note 40(b))	-	-	**(958)**	**(958)**
At 31 December 2023	**939**	-	**19,547**	**20,486**
For the year ended 31 December 2022				
At 1 January 2022	-	18,552	7,263	25,815
Additions	-	-	33,473	33,473
Interest expense	-	640	1,131	1,771
Lease payments	-	-	(16,454)	(16,454)
Disposal	-	-	(486)	(486)
Transfer to a disposal group classified as held for sale (Note 40(a)(ii))	-	(19,192)	(1,483)	(20,675)
At 31 December 2022	-	-	23,444	23,444

Future lease payments are due as follows:

	2023		
	Minimum lease payments RMB'000	Interest RMB'000	Present value of minimum lease payments RMB'000
Within one year	**10,657**	**662**	**9,995**
After one but within two years	**5,697**	**359**	**5,338**
After two but within five years	**4,958**	**262**	**4,696**
More than five years	**519**	**62**	**457**
	11,174	**683**	**10,491**
	21,831	**1,345**	**20,486**

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

39. Leases - Continued

	2022		
	Minimum lease payments RMB'000	Interest RMB'000	Present value of minimum lease payments RMB'000
Within one year	17,677	691	16,986
After one but within two years	3,408	79	3,329
After two but within five years	2,662	197	2,465
More than five years	759	95	664
	6,829	371	6,458
	24,506	1,062	23,444

The present value of future lease payments are analysed as:

	2023 RMB'000	2022 RMB'000
Current liabilities	**9,995**	16,986
Non-current liabilities	**10,491**	6,458
	20,486	23,444

40. Disposal of subsidiaries

(a) Partial disposal of PetroChina (Inner Mongolia) New Material Company Limited ("New Material Company")

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

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

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

40. Disposal of subsidiaries - Continued

(a) Partial disposal of PetroChina (Inner Mongolia) New Material Company Limited ("New Material Company") - Continued

The equity transaction was completed on 27 April 2023. Upon the completion of the equity transaction, the Group's equity interest in New Material Company decreased from 92.27% to 25.27% and the directors of the Group determined that the Group had lost its practical ability to unilaterally direct the relevant activities of New Material Company. Accordingly, with effect from the date of completion of the equity transaction, the financial statements of New Material Company ceased to be consolidated in the consolidated financial statements of the Group and the remaining equity interests of 25.27% in New Material Company held by the Group are recognised as interests in associates (Note 23). Gain on disposal of a subsidiary of RMB852,397,000 was recognised for the year ended 31 December 2023.

(i) Partial disposal of New Material Company

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

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

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

40. Disposal of subsidiaries - Continued

(a) Partial disposal of PetroChina (Inner Mongolia) New Material Company Limited ("New Material Company") - Continued

(ii) A disposal group classified as held for sale

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

	2022 RMB'000
Assets classified as held for sale:	
Cash and cash equivalents	6
Prepayments, deposits and other receivables	8,908
Inventories	24,741
Property, plant and equipment	366,461
Prepaid lease payments	158,103
Intangible assets	732
	558,951
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
	333,662

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

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

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

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

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

40. Disposal of subsidiaries - Continued

(b) Deemed disposal of Guangxi Fudao Agricultural Means of Production Limited ("Guangxi Fudao") - Continued

The capital increase of Guangxi Fudao was completed on 27 December 2023. Accordingly, with effect from the date of completion of the capital increase, the financial statements of Guangxi Fudao ceased to be consolidated in the consolidated financial statements of the Group and the remaining equity interests of 34% in Guangxi Fudao held by the Group are recognised as interests in associates (Note 23). Gain on disposal of a subsidiary of RMB5,832,000 was recognised for the year ended 31 December 2023.

Deemed disposal of Guangxi Fudao

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

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

41. Commitment and contingent liabilities

Capital commitments

In addition to the leases detailed in Note 39 above, the Group had the following capital commitments at the end of the reporting period:

	2023 RMB'000	2022 RMB'000
Contracted, but not provided, for acquisition of plant and machinery	159,073	66,741

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

42. Related party transactions

During the year, the Group had the following material transactions with related parties:

(1) Recurring

	2023 RMB'000	2022 RMB'000
(A) Included in revenue and other income		
(i) CNOOC group companies		
Sale of goods	**818,768**	503,179
Provision of packaging and assembling services	**96,957**	87,368
Provision of transportation services	**4,216**	174
Provision of logistics services	**1,930**	4,453
Provision of labour services	**105,216**	48,308
Lease of property and land	**6,904**	6,669
(ii) Other Related Parties		
Sale of goods	**239,086**	257,002
(B) Included in cost of sales and other expenses		
(i) CNOOC group companies		
Purchase of raw materials	**4,501,859**	3,521,698
Purchase of finished goods	**1,267,384**	-
Labour service	**201,412**	190,809
Construction and installation services	**(2,936)**	-
Lease of offices	**31,139**	31,377
Logistics services	**5,312**	5,381
Transportation services	**14,418**	13,826
Network service	**330**	309
(C) Included in finance income/costs		
(i) CNOOC Finance		
Finance income	**4,416**	4,297
Fees and charges	**2,096**	1,952
Interest on other borrowings	**-**	3,931

These transactions listed above were conducted in accordance with terms agreed among the Group, its associates, its joint venture, CNOOC group companies and Other Related Parties.

Except for finance income from CNOOC Finance, the above transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

42. Related party transactions - Continued

(2) Balances with related parties

Details for following balances are mainly set out in Notes 26, 28, 30, 31, 32, 35, 37 and 38. The balance with CNOOC Finance resulted from interest and loans. Others were mainly formed through routine trading transactions, reception of construction services, and other miscellaneous transactions with related parties.

	Amounts due from		Amounts due to	
	2023	2022	**2023**	2022
	RMB'000	RMB'000	**RMB'000**	RMB'000
Ultimate holding company	**8,568**	50	**-**	6,002
CNOOC group companies	**343,851**	55,824	**393,787**	650,886
Associates	**255,814**	1,385	**38,103**	6,629
Joint venture	**15,136**	344	**-**	325
CNOOC Finance	**-**	-	**200,177**	1,171,198
Other Related Parties	**-**	1,200	**5,646**	5,982

In addition, as at 31 December 2023, the deposits placed by the Group with CNOOC Finance were amounted to RMB399,725,000 (2022: RMB396,374,000), as detailed in Note 32.

(3) Compensation of key management personnel of the Group

	2023	2022
	RMB'000	RMB'000
Short-term employee benefits	**5,149**	9,763
Post-employment benefits	**146**	255
Total compensation paid to key management personnel	**5,295**	10,018

Further details of directors' and supervisors' emoluments are set out in Note 12.

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

42. Related party transactions - Continued

(4) Transactions with other state-owned enterprises ("SOE") in the PRC

The Group has entered into extensive transactions covering the sales of goods and rendering of services, receipt of construction services, purchases of goods, services or property, plant and equipment and making deposits and borrowings with state-owned banks in the PRC, with SOEs other than CNOOC group companies, in the normal course of business at terms comparable to those with other non-SOEs. Certain specific and major raw materials provided by SOE suppliers are from Heilongjiang Longmei Hegang Mining Co., Ltd. (the "**Longmei**") and Longmei mainly supplied coal to CNOOC Huahe Coal Chemical Limited. As of 31 December 2023, the Group made a total procurement of RMB1,118,716,000 (2022: RMB576,233,000) from Longmei. Urea and phosphorus sold by the Company and CNOOC Fudao (Shanghai) Chemical Limited to the Guangdong Tianhe Agricultural Means of Production Co. Ltd. constituted most of the sales to SOEs. For the year ended 31 December 2023, the sales amounted to RMB736,076,000 (2022: RMB467,878,000). Except for the above two SOEs, sales to and procurements from other SOEs are considered as specific but not significant transactions.

In addition, the Group has certain of its cash, pledged bank deposits and time deposits and outstanding interest-bearing bank and other borrowings with certain state-owned banks in the PRC as at 31 December 2023, as summarised below:

	2023 RMB'000	2022 RMB'000
Cash and cash equivalents	405,368	528,771
Pledged bank deposits	10,119	4,203
Time deposits	9,700,000	8,400,000
	10,115,487	8,932,974
Interest-bearing bank and other borrowings	2,000,966	2,054,911

Deposit interest rates and loan interest rates are at the market rates.

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

43. Financial instruments

The following table shows the carrying amount and fair value of financial assets and liabilities:

	2023		2022	
	Carrying amounts RMB'000	Fair value RMB'000	Carrying amounts RMB'000	Fair value RMB'000
Financial assets at FVTPL				
- Wealth management products	-	2,893,726	-	3,617,572
Financial assets at FVOCI				
- Unlisted equity investment	-	600	-	600
- Bills receivable	-	207,144	-	136,817
Financial assets at amortised cost				
- Loan receivable	208,408	-	-	-
- Trade receivables	56,513	-	284,584	-
- Contract assets	20,188	-	11,612	-
- Deposits and other receivables	546,961	-	488,463	-
- Pledged bank deposits	10,119	-	4,203	-
- Time deposits	9,700,000	-	8,400,000	-
- Cash and cash equivalents	597,269	-	528,777	-
Financial liabilities at amortised cost				
- Trade payables	1,138,388	-	1,346,483	-
- Other payables and accruals	640,911	-	628,066	-
- Lease liabilities	20,486	-	23,444	-
- Interest-bearing bank and other borrowings	2,000,966	-	2,054,911	-
- Other long-term liabilities	1,789	-	5,736	-

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

44. Fair value and fair value hierarchy

(a) Financial instruments not measured at fair value

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements not measured at fair value on a recurring basis (but fair value disclosures are required) approximate their fair values.

The fair values of trade receivables, financial assets included in deposits and other receivables, pledged bank deposits, time deposits, cash and cash equivalents, trade payables and other payables, approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The carrying amounts of the non-current portion of interest-bearing bank and other borrowings approximate their fair values as the interest rates will adjust periodically based on People's Bank of China's benchmark rates and is close to market interest rate.

(b) Financial instruments measured at fair value

The valuation techniques used in determining the fair value measurement of level 2 and level 3 financial instruments, as well as the relationship between key observable inputs and fair value are set out below.

Information about level 2 fair value measurements

The fair value of wealth management products was calculated as the present value of the estimated future cash flows based on market interest rates of instruments with similar terms and risks.

Information about level 3 fair value measurements

The fair value of unlisted equity investment was determined based on transaction price and factors or events that have occurred after the acquisition date. Since there was no significant change in market conditions or the performance and operation of the investment, the directors considered the fair value of the unlisted equity investment was approximately the transaction price.

The fair value of bills receivable was close to their carrying amounts given all bills receivable will mature within twelve months.

Bills receivable as at 31 December 2022 was realised during the year. Bills receivable as at 31 December 2023 will be realised within twelve months.

There were no changes in valuation techniques during the period.

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices in active markets for identical items (unadjusted);

Level 2: Observable direct or indirect inputs other than Level 1 inputs;

Level 3: Unobservable inputs (i.e. not derived from market data).

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

44. Fair value and fair value hierarchy - Continued

(b) Financial instruments measured at fair value - Continued

	31 December 2023		
	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000
Financial assets at FVTPL			
- Wealth management products	**2,893,726**	**-**	**2,893,726**
Financial assets at FVOCI			
- Unlisted equity investment	**-**	**600**	**600**
- Bills receivable	**-**	**207,144**	**207,144**

	31 December 2022		
	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000
Financial assets at FVTPL			
- Wealth management products	3,617,572	-	3,617,572
Financial assets at FVOCI			
- Unlisted equity investment	-	600	600
- Bills receivable	-	136,817	136,817

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

The management has set up a valuation team, which is headed by the Chief Financial Officer of the Company, to determine, subject to the directors' approval, the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group's valuation team performs the valuation or engages third party qualified valuers to perform the valuation considering the complexity and significance of the valuation. The valuation team works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the valuation team's findings to the board of directors of the Company regularly to explain the cause of fluctuations in the fair value of the assets and liabilities.

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

45. Financial risk management objective and policies

The Group's principal financial instruments comprise interest-bearing bank and other borrowings and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities, such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in Note 4.

(i) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings and leases liabilities with floating interest rates.

As at 31 December 2023, the Group's interest-bearing bank and other borrowings and lease liabilities bear variable interest rates amounted to RMB2,021,452,000 (2022: RMB2,078,355,000).

The interest rates and the terms of repayment of the Group's interest-bearing bank and other borrowings and lease liabilities are disclosed in Notes 35 and 39 respectively.

If interest rate had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2023 would be decreased/increased by approximately RMB7,580,000 (2022: decreased/increased by RMB7,794,000).

(ii) Foreign currency risk

The carrying amounts of the Group's foreign currency denominated monetary assets at the end of the reporting period are as follows:

	Assets	
	2023	2022
	RMB'000	RMB'000
United States dollar ("**USD**")	**5,200**	3,666
HKD	**6**	6

The Group has transactional currency exposures, which arise from sales or purchases in currencies other than the functional currency of the entities comprising the Group. Approximately 1% (2022: 3%) of the Group's sales were denominated in currencies other than functional currency of the entities comprising the Group.

The Group's monetary assets, loans and transactions are principally denominated in RMB, USD and HKD. The Group was exposed to foreign currency risk arising from the changes in the exchange rates of USD and HKD against RMB.

The Group will constantly review the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in the future, as may be necessary.

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

45. Financial risk management objective and policies - Continued

(ii) Foreign currency risk - Continued

Foreign currency sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in USD and HKD.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against USD and HKD respectively. 5% (2022: 5%) are the sensitivity rates used in the current year when reporting foreign currency risk internally to key management personnel and represent management's assessment of the reasonable possible change in foreign exchange rates. A negative number below indicates an increase in loss (or decrease in profit) and decrease in equity where the RMB strengthen against USD and HKD. For a 5% (2022: 5%) weakening of the RMB against USD and HKD, there would be an equal and opposite impact on the loss/profit or equity.

	Impact of USD		Impact of HKD	
	2023	2022	**2023**	2022
	RMB'000	RMB'000	**RMB'000**	RMB'000
Sensitivity rate	**5%**	5%	**5%**	5%
Profit or loss	**(217)**	(153)	**-***	-*
Equity	**(217)**	(153)	**-***	-*

* Less than RMB1,000.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure at the end of reporting period does not reflect the exposure during the year. USD denominated sales are seasonal with lower sales volumes in the last quarter of the financial year.

(iii) Credit risk

The carrying amounts of the Group's cash and cash equivalents, trade receivables, other receivables and other current assets except for prepayments and VAT recoverable, represent the Group's maximum exposure to credit risk in relation to its financial assets.

The majority of the Group's trade receivables are related to the sale of fertilisers and methanol. The sale of fertilisers is normally settled on an advance receipt basis whereby the customers are required to pay in advance either by cash or by bank acceptance drafts. The trading terms of the Group with its methanol customers are mainly on credit. The credit period is generally one month.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures and only long-standing customers are granted with credit terms. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The ECLs rate for trade receivables and contract assets that are categorised as not past due, past due within one year and past due with two years are assessed to be 0.9%, 2.5% and 4.4% (2022: 0.1%, 2.3% and 4.0%). The ECLs rate is reviewed, and adjusted if appropriate, at the end of each reporting period. The ECLs rate remained the same during the year as the business and customer base of the Group remained stable and there were no significant fluctuations on the historical credit loss incurred. In addition, there is no significant change on the economic indicators based on the assessment of the forward-looking information. Based on evaluation on ECLs rate and the carrying amount of trade receivables and contract assets, the directors of the Company are of the opinion that the ECLs in respect of trading receivables and contract assets are considered as immaterial.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer and by geographical region. Deposits in financial institutions are not exposed to credit risk as these financial institutions are with high credit rating. No other financial assets carry a significant exposure to credit risk.

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

45. Financial risk management objective and policies - Continued

(iv) Liquidity risk

The Group monitors its risk to a shortage of funds. The Group considers the maturity of both its financial investments and financial assets (e.g. trade receivables and other financial assets) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. As at 31 December 2023, the balance of the Group's interest-bearing bank and other borrowings was RMB2,000,966,000 (2022: RMB2,054,911,000).

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2023					
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 year but less than 5 years RMB'000	More than 5 years RMB'000
Interest-bearing bank and other borrowings	**2,000,966**	**2,279,550**	**893,626**	**193,963**	**894,429**	**297,532**
Trade payables	**1,138,388**	**1,138,388**	**1,138,388**	**-**	**-**	**-**
Other payables and accruals	**640,911**	**640,911**	**640,911**	**-**	**-**	**-**
Lease liabilities	**20,486**	**21,831**	**10,657**	**5,697**	**4,958**	**519**
Other long-term liabilities	**1,789**	**1,789**	**-**	**382**	**1,407**	**-**
	3,802,540	**4,082,469**	**2,683,582**	**200,042**	**900,794**	**298,051**

	2022					
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 year but less than 5 years RMB'000	More than 5 years RMB'000
Interest-bearing bank and other borrowings	2,054,911	2,177,390	948,755	-	411,643	816,992
Trade payables	1,346,483	1,346,483	1,346,483	-	-	-
Other payables and accruals	628,066	628,066	628,066	-	-	-
Lease liabilities	23,444	24,506	17,677	3,408	2,662	759
Other long-term liabilities	5,736	5,736	191	191	5,354	-
	4,058,640	4,182,181	2,941,172	3,599	419,659	817,751

In addition to the amounts shown in the above table as at 31 December 2023, the Group may also be required to settle the maximum exposure to loss arising from endorsed bills arrangements with full recourse as detailed in Note 29 within the next 12 months, amounting to RMB247,924,000 (2022: RMB152,116,000) in aggregate.

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

45. Financial risk management objective and policies - Continued

(v) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payments to shareholders, return capital to shareholders, raise new debt or issue new shares. No changes were made in the objectives, policies or processes for managing capital in 2023 and 2022.

The Group monitors capital using a gearing ratio, which is calculated as interest-bearing debts divided by net asset plus interest-bearing debts. The gearing ratios as at the end of the reporting years were as follows:

	2023 RMB'000	2022 RMB'000
Interest-bearing debts (Note)	2,021,452	2,078,355
Net assets	19,407,158	17,776,590
Net assets plus interest-bearing debts	21,428,610	19,854,945
Gearing ratio	9.43%	10.47%

Note: Interest-bearing debts comprises interest-bearing bank and other borrowings and lease liabilities as detailed in Notes 35 and 39 respectively.

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

46. 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 (Note (ii))	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) (Note (i))	PRC 31 December 2001	RMB477,400	Direct Indirect	100.00 -	Manufacture and sale of fertilisers
海南中海石油運輸服務有限公司 (transliterated as Hainan CNOOC Transportation Co., Ltd.) (Note (i))	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**") (Note (i))	PRC 25 April 2005	RMB514,034	Direct Indirect	73.11 -	Port operation
中海石油建滔化工有限公司 (transliterated as CNOOC Kingboard Chemical Limited) ("**CNOOC Kingboard**") (Note (i))	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) (Note (i))	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.) (Note (i))	PRC 9 May 2008	RMB300	Direct Indirect	- 61.41	Provision of overseas shipping services
湖北大峪口化工有限責任公司 (transliterated as Hubei Dayukou Chemical Limited) ("**Hubei Dayukou**") (Note (i))	PRC 12 August 2005	RMB1,103,127	Direct Indirect	79.98 -	Phosphate mining and processing, manufacture and sale of MAP and DAP fertilisers
中海石油華鶴煤化有限公司 (transliterated as CNOOC Huahe Coal Chemical Limited) (Note (i))	PRC 26 May 2006	RMB1,035,600	Direct Indirect	100.00 -	Manufacture and sale of fertilisers

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

46. Particulars of principal subsidiaries of the company - Continued

Name of subsidiaries (Note (ii))	Place and date of incorporation and operation	Registered capital	Percentage of equity interest attributable to the Company		Principal activities
		'000		%	
黑龍江瑞鶴礦業有限公司 (transliterated as Heilongjiang Ruihe Mining Co., Ltd.) (Note (i))	PRC 18 August 2022	RMB1,000	Direct Indirect	- **100.00**	Trading of coal and coal products, coal mining
中海油(海南)富島化工有限公司 (transliterated as CNOOC (Hainan) Fudao Chemical Limited) ("**Fudao Chemical**") (Notes (i) and (iii))	PRC 19 October 2020	RMB720,000	Direct Indirect	- **51.00**	Manufacture and sale of acrylonitrile and methyl methacrylate
China BlueChemical (Hong Kong) Limited (中海化學(香港)有限公司)	Hong Kong 14 November 2013	HKD100	Direct Indirect	**100.00** -	Trading of fertilisers

Note:

(i) These entities established in the PRC are domestic limited liability companies.

(ii) The English translation of the company names of the companies established in the PRC is for reference only. The official names of these companies are in Chinese.

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

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

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

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

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

46. Particulars of principal subsidiaries of the company - Continued

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

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

CNOOC Kingboard	2023 RMB'000	2022 RMB'000
Current assets	486,545	683,667
Non-current assets	668,392	654,090
Current liabilities	(146,355)	(149,578)
Non-current liabilities	(114)	-
Net assets	1,008,468	1,188,179
Non-controlling interests	403,387	475,271
Revenue	1,265,851	1,451,093
Expenses	(1,053,729)	(1,051,164)
Profit and total comprehensive income	212,122	399,929
Profit and total comprehensive income attributable to:		
Owners of the Company	127,274	239,959
Non-controlling interests	84,848	159,970
Profit and total comprehensive income	212,122	399,929
Dividends paid to non-controlling interests	156,732	144,384
Net cash inflow from operating activities	254,276	350,606
Net cash inflow from investing activities	155,071	51,652
Net cash outflow from financing activities	(391,861)	(360,961)
Effect of foreign exchange rate changes	101	-
Net cash inflow	17,587	41,297

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

46. Particulars of principal subsidiaries of the company - Continued

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

Hainan Basuo Port	2023 RMB'000	2022 RMB'000
Current assets	113,501	142,875
Non-current assets	933,129	880,734
Current liabilities	(324,366)	(354,045)
Non-current liabilities	(63,186)	(13,344)
Net assets	659,078	656,220
Non-controlling interests	177,226	176,458
Revenue	306,436	312,425
Expenses	(298,851)	(307,172)
Profit and total comprehensive income	7,585	5,253
Profit and total comprehensive income attributable to:		
Owners of the Company	5,546	3,840
Non-controlling interests	2,039	1,413
Profit and total comprehensive income	7,585	5,253
Dividends paid to non-controlling interests	1,271	52,777
Net cash inflow from operating activities	32,652	29,402
Net cash (outflow)/inflow from investing activities	(58,084)	16,908
Net cash inflow/(outflow) from financing activities	26,199	(46,866)
Net cash inflow/(outflow)	767	(556)

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

46. Particulars of principal subsidiaries of the company - Continued

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

Hubei Dayukou	2023 RMB'000	2022 RMB'000
Current assets	685,771	1,021,521
Non-current assets	1,156,836	1,193,009
Current liabilities	(398,857)	(831,086)
Non-current liabilities	(21,985)	(23,764)
Net assets	1,421,765	1,359,680
Non-controlling interests	284,680	272,249
Revenue	2,720,161	3,260,147
Expenses	(2,658,076)	(3,216,269)
Profit and total comprehensive income	62,085	43,878
Profit and total comprehensive income attributable to:		
Owners of the Company	49,654	35,092
Non-controlling interests	12,431	8,786
Profit and total comprehensive income	62,085	43,878
Dividends paid to non-controlling interests	-	11,131
Net cash inflow from operating activities	358,543	235,222
Net cash inflow/(outflow) from investing activities	40,353	(181,549)
Net cash outflow from financing activities	(401,637)	(62,976)
Effect of foreign exchange rate changes	4,312	9,350
Net cash inflow	1,571	47

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

46. Particulars of principal subsidiaries of the company - Continued

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

Fudao Chemical	2023 RMB'000	2022 RMB'000
Current assets	602,003	40,882
Non-current assets	2,246,758	1,904,948
Current liabilities	(1,019,510)	(459,365)
Non-current liabilities	(1,316,640)	(1,185,762)
Net assets	512,611	300,703
Non-controlling interests	251,179	147,344
Revenue	1,278,997	-
Expenses	(1,487,089)	659
(Loss)/profit and total comprehensive income	(208,092)	659
(Loss)/profit and total comprehensive income attributable to:		
Owners of the Company	(106,127)	336
Non-controlling interests	(101,965)	323
(Loss)/profit and total comprehensive income	(208,092)	659
Capital contribution from non-controlling interests	205,800	-
Net cash (outflow)/inflow from operating activities	(117,782)	130,250
Net cash outflow from investing activities	(507,198)	(820,846)
Net cash inflow from financing activities	608,251	656,390
Effect of foreign exchange rate changes	101	-
Net cash outflow	(16,628)	(34,206)

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

47. Statement of financial position and reserves of the company

	2023 RMB'000	2022 RMB'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	29,731	48,656
Investment properties	4,835	5,702
Prepaid lease payments	40,882	42,046
Intangible assets	20,790	13,414
Investment in subsidiaries	5,597,391	5,675,552
Interests in joint ventures	213,487	213,487
Interest in associates	78,161	-
Deferred tax assets	127,630	35,600
Other long-term prepayment	-	453
	6,112,907	6,034,910
CURRENT ASSETS		
Trade receivables	17,413	39,941
Prepayments, deposits and other receivables	521,469	522,755
Loans receivable	1,123,924	1,657,378
Financial assets at FVTPL	9,200,000	3,315,370
Time deposits with original maturity over three months	481,744	7,900,000
Cash and cash equivalents	2,741,833	407,893
	14,086,383	13,843,337
Non-current assets classified as held for sale	-	232,243
	14,086,383	14,075,580
TOTAL ASSETS	20,199,290	20,110,490
EQUITY		
CAPITAL AND RESERVES		
Issued capital	4,610,000	4,610,000
Reserves	11,807,943	10,975,820
Proposed dividends	954,270	820,580
TOTAL EQUITY	17,372,213	16,406,400
LIABILITIES		
NON-CURRENT LIABILITIES		
Employee benefits liability	255,086	290,028
Deferred revenue	6,696	6,758
Deferred tax liabilities	-	8,332
Other long-term liabilities	8,835	12,999
	270,617	318,117

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

47. Statement of financial position and reserves of the company - Continued

	2023 RMB'000	2022 RMB'000
CURRENT LIABILITIES		
Trade payables	11,030	9,888
Other payables and accruals	2,543,343	3,352,644
Lease liabilities	2,087	13,469
Income tax payable	-	9,972
	2,556,460	3,385,973
TOTAL LIABILITIES	2,827,077	3,704,090
TOTAL EQUITY AND LIABILITIES	20,199,290	20,110,490

Movement in Company's reserves

The Company's movement in reserves and proposed dividends for the years ended 31 December 2023 and 2022 were as follows:

	Notes	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Special reserve RMB'000	Retained profits RMB'000	Proposed dividends RMB'000	Total reserves RMB'000
At 1 January 2022		1,366,392*	1,763,729*	69*	8,263,459*	714,550	12,108,199
Total comprehensive income for the year		-	-	-	402,751	-	402,751
Transfer from retained profits		-	40,086	-	(40,086)	-	-
2022 proposed final dividends	15	-	-	-	(820,580)	820,580	-
2021 final dividends declared		-	-	-	-	(714,550)	(714,550)
At 31 December 2022 and 1 January 2023		1,366,392*	1,803,815*	69*	7,805,544*	820,580	11,796,400
Total comprehensive income for the year		-	-	-	1,786,393	-	1,786,393
Appropriation and utilisation of safety fund, net		-	-	(69)	69	-	-
Transfer from retained profits		-	186,515	-	(186,515)	-	-
2023 proposed final dividends	15	-	-	-	(954,270)	954,270	-
2022 final dividends declared		-	-	-	-	(820,580)	(820,580)
At 31 December 2023		1,366,392*	1,990,330*	-*	8,451,221*	954,270	12,762,213

* These reserve accounts comprise the Company's reserves of RMB11,807,943,000 (2022: RMB10,975,820,000) in the Company's statement of financial position.

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

48. Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Interest-bearing bank and other borrowings RMB'000	Lease liabilities RMB'000	Dividends payable RMB'000
At 1 January 2022	1,019,741	25,815	-
Changes from cash flow:			
Dividend paid	-	-	(928,827)
Bank and other borrowings raised	2,017,776	-	-
Repayment of bank and other borrowings	(982,606)	-	-
Interest paid	(27,623)	-	-
Payment of lease liabilities	-	(16,454)	-
Other changes:			
Dividend declared to non-controlling interests	-	-	214,277
2021 final dividend declared	-	-	714,550
Finance costs (Note 10)	27,623	1,771	-
New leases	-	33,473	-
Disposal of lease liabilities	-	(486)	-
Transfer to a disposal group classified as held for sale (Note 40(a)(ii))	-	(20,675)	-
At 31 December 2022	2,054,911	23,444	-
At 1 January 2023	**2,054,911**	**23,444**	**-**
Changes from cash flow:			
Dividend paid	**-**	**-**	**(980,840)**
Bank and other borrowings raised	**2,234,516**	**-**	**-**
Repayment of bank and other borrowings	**(2,188,422)**	**-**	**-**
Interest paid	**(33,315)**	**-**	**-**
Payment of lease liabilities	**-**	**(21,796)**	**-**
Other changes:			
Dividend declared to non-controlling interests	**-**	**-**	**160,260**
2022 final dividend declared	**-**	**-**	**820,580**
Finance costs (Note 10)	**33,315**	**870**	**-**
New leases	**-**	**19,132**	**-**
Disposal of lease liabilities	**-**	**(206)**	**-**
Disposal of subsidiaries (Note 40(b))	**(100,039)**	**(958)**	**-**
At 31 December 2023	**2,000,966**	**20,486**	**-**

Notes to the Consolidated Financial Statements - Continued

For the year ended 31 December 2023

49. Events after the reporting year

There was no material event after the reporting date.

50. Approval of consolidated financial statements

The consolidated financial statements were approved and authorised for issue by the board of directors on 23 March 2024.

Glossary

Acrylonitrile (AN)	C_3H_3N, a colorless liquid, consisting of a vinyl group linked to a nitrile, often appears yellow due to impurities. Acrylonitrile is an important monomer for the manufacture of useful plastics such as polyacrylonitrile.
Ammonia	NH_3, a colorless, combustible alkaline gas. Ammonia is a compound of nitrogen and hydrogen, it is used extensively for the manufacture of fertilisers and a wide variety of nitrogen-containing organic and inorganic chemicals;
BB fertilisers	Bulk blended fertilisers, according to the PRC national standard being a chemical compound containing at least two primary plant nutrients among N, P and K;
Compound fertilisers	Chemically obtained fertiliser, composed of at least two primary plant nutrients, also contained secondary nutrients;
DAP	di-ammonium phosphate, $(NH_4)_2HPO_4$, a type of phosphate fertiliser;
Formaldehyde	CH_2O, a colorless, poisonous gas, made by the oxidation of methanol;
MAP	mono-ammonium phosphate, $NH_4H_2PO_4$, a type of phosphate fertiliser;
Methanol	CH_3OH, or methyl alcohol, or wood alcohol, a colorless, flammable liquid, produced synthetically by the direct combination of hydrogen and carbon monoxide gases, heated under pressure in the presence of a catalyst;
Natural gas	Colorless, highly flammable gaseous hydrocarbon consisting primarily of methane and ethane. It is a type of petroleum that commonly occurs in association with crude oil. Natural gas is often found dissolved in oil at the high pressures existing in a reservoir, and it also can be present as a gas cap above the oil;
P fertiliser or phosphate fertiliser	a fertiliser containing phosphorus (P) as the main nutrient, common examples include MAP and DAP;
Urea	$H_2N\text{-}CO\text{-}NH_2$, nitrogen fertiliser formed by reacting ammonia with carbon dioxide at high pressure (containing 46% nitrogen);
Utilisation rate	A percentage calculated by dividing the actual annual production volume by the designed annual production volume.

Company Information

Registered Office	NO.3, Park Third Road, Basuo Town, Dongfang City, Hainan Province, the PRC
Address of headquarter	Kaikang CNOOC Mansion, No.15, Sanqu, Anzhenxili, Chaoyang District, Beijing, the PRC
Principal place of business in the PRC	NO.3, Park Third Road, Basuo Town, Dongfang City, Hainan Province, the PRC
Representative Office in Hong Kong	65/F., Bank of China Tower, No.1 Garden Road, Central, Hong Kong
Joint Company Secretary	Kuang Xiaobing Ng Sau Mei
Authorized representatives	Hou Xiaofeng Kuang Xiaobing
Principal banker	Industrial and Comercial Bank of China, Hainan Branch
Auditor	BDO Limited 25th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong
Hong Kong law legal adviser	Freshfields Bruckhaus Deringer 55th Floor, One Island East, Taikoo Place, Quarry Bay, Hong Kong
The PRC law legal adviser	Jun He Law Offices China Resources Building, 20th Floor, 8 Jianguomenbei Avenue
H Share registrar and transfer office	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East, Wanchai, Hong Kong
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Stock Code	Hong Kong Stock Exchange: 3983