

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



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

**(Stock code: 03983)**

**ANNUAL RESULTS ANNOUNCEMENT FOR  
THE YEAR ENDED 31 DECEMBER 2013**

**FINANCIAL HIGHLIGHTS**

1. Revenue amounted to RMB10,723.6 million
2. Gross profit amounted to RMB3,223.3 million
3. Net profit attributable to owners of the parent amounted to RMB1,647.1 million
4. Basic earnings per share was RMB0.36
5. Proposed final dividend of RMB0.14 per share for the year

**(I) AUDITED FINANCIAL STATEMENTS****CONSOLIDATED STATEMENT OF PROFIT OR LOSS***For the year ended 31 December 2013*

	<i>Notes</i>	<b>2013</b> <b>RMB'000</b>	2012 <i>RMB'000</i> (Restated)
Revenue	4	<b>10,723,636</b>	10,739,211
Cost of sales		<b>(7,500,309)</b>	(7,432,872)
Gross profit		<b>3,223,327</b>	3,306,339
Other income and gains	4	<b>156,336</b>	120,593
Selling and distribution expenses		<b>(347,042)</b>	(218,101)
Administrative expenses		<b>(476,320)</b>	(431,305)
Other expenses		<b>(76,025)</b>	(31,786)
Finance income		<b>10,669</b>	14,447
Finance costs	5	<b>(2,571)</b>	(13,518)
Net exchange losses		<b>(8,792)</b>	(7,489)
Share of (losses) profits of joint ventures		<b>(263)</b>	68
Share of (losses) profits of associates		<b>(9,350)</b>	86
Impairment of property, plant and equipment		<b>(122,711)</b>	(131,694)
Profit before tax	6	<b>2,347,258</b>	2,607,640
Income tax expense	7	<b>(554,162)</b>	(624,020)
Profit for the year		<b>1,793,096</b>	1,983,620
Profit for the year attributable to:			
Owners of the parent		<b>1,647,081</b>	1,810,463
Non-controlling interests		<b>146,015</b>	173,157
		<b>1,793,096</b>	1,983,620
Earnings per share attributable to ordinary owners of the parent			
— Basic for the year ( <i>RMB</i> )	8	<b>0.36</b>	0.39

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*For the year ended 31 December 2013*

	<b>2013</b> <b>RMB'000</b>	2012 RMB'000 (Restated)
Profit for the year	<u>1,793,096</u>	<u>1,983,620</u>
<b>Other comprehensive income (expense) that may be reclassified subsequently to profit or loss, net of tax</b>		
Fair value gains on unlisted investment during the year	73,546	79,787
Reclassification adjustment relating to disposal upon maturity	<u>(73,546)</u>	<u>(79,787)</u>
Exchange differences arising on translation	<u>—</u> <b>(11,611)</b>	<u>—</u>
Other comprehensive expense for the year, net of tax	<u><b>(11,611)</b></u>	<u>—</u>
Total comprehensive income for the year	<u><b>1,781,485</b></u>	<u>1,983,620</u>
Total comprehensive income for the year attributable to:		
Owners of the parent	1,640,113	1,810,463
Non-controlling interests	<u>141,372</u>	<u>173,157</u>
	<u><b>1,781,485</b></u>	<u>1,983,620</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION***At 31 December 2013*

	<i>Notes</i>	<b>2013</b> <b>RMB'000</b>	2012 <i>RMB'000</i> (Restated)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>10,810,741</b>	9,997,415
Prepayments for property, plant and equipment		<b>160,770</b>	396,926
Mining and exploration rights		<b>476,353</b>	478,399
Prepaid lease payments		<b>623,119</b>	514,211
Intangible assets		<b>125,078</b>	124,872
Investments in joint ventures		<b>213,635</b>	121,151
Investments in associates		<b>828,092</b>	654,433
Available-for-sale investment		<b>600</b>	600
Deferred tax assets		<b>198,413</b>	139,319
Other long-term prepayment		<b>12,000</b>	—
		<b>13,448,801</b>	12,427,326
<b>CURRENT ASSETS</b>			
Inventories		<b>1,365,805</b>	1,633,194
Trade receivables	9	<b>111,589</b>	96,520
Bills receivable		<b>54,400</b>	83,890
Prepayments, deposits and other receivables		<b>572,626</b>	396,424
Pledged bank deposits		<b>5,665</b>	3,995
Time deposits with original maturity over three months		<b>42,944</b>	—
Cash and cash equivalents		<b>2,933,970</b>	2,563,666
		<b>5,086,999</b>	4,777,689
<b>TOTAL ASSETS</b>		<b>18,535,800</b>	17,205,015

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**

*At 31 December 2013*

	<i>Notes</i>	<b>2013</b> <i>RMB'000</i>	2012 <i>RMB'000</i> (Restated)
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Issued capital		4,610,000	4,610,000
Reserves		8,900,603	7,907,868
Proposed dividends	10	645,400	691,500
		<u>14,156,003</u>	<u>13,209,368</u>
Non-controlling interests		<u>1,345,228</u>	<u>1,417,305</u>
<b>TOTAL EQUITY</b>		<u><b>15,501,231</b></u>	<u><b>14,626,673</b></u>
<b>NON-CURRENT LIABILITIES</b>			
Benefits liability		23,964	48,590
Interest-bearing bank borrowings		31,000	—
Deferred tax liabilities		62,175	72,775
Deferred revenue		135,677	37,900
Other long-term liabilities		115,152	114,280
		<u>367,968</u>	<u>273,545</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	11	418,048	405,282
Bills payable	11	120,416	23,100
Other payables and accruals		1,798,602	1,729,925
Obligation arising from a put option to a non-controlling shareholder		92,794	—
Derivative financial instruments		47,485	—
Income tax payable		189,256	146,490
		<u>2,666,601</u>	<u>2,304,797</u>
<b>TOTAL LIABILITIES</b>		<u><b>3,034,569</b></u>	<u><b>2,578,342</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>18,535,800</b></u>	<u><b>17,205,015</b></u>
<b>NET CURRENT ASSETS</b>		<u><b>2,420,398</b></u>	<u><b>2,472,892</b></u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><b>15,869,199</b></u>	<u><b>14,900,218</b></u>
<b>NET ASSETS</b>		<u><b>15,501,231</b></u>	<u><b>14,626,673</b></u>

## (II) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

### 1. CORPORATE INFORMATION AND BASIS OF PREPARATION

China BlueChemical Ltd. (the “Company”) was established in the People’s Republic of China (the “PRC”) on 3 July 2000 as a limited liability company under the name of CNOOC Chemical Limited (中海石油化學有限公司). The Company’s name was changed to China BlueChemical Ltd. (中海石油化學股份有限公司) on 25 April 2006. The registered office of the Company is located at No. 1 Zhu Jiang South Street, Dongfang City, Hainan Province, PRC.

In September and October 2006, the Company issued an aggregate 1,610,000,000 new H shares at a price of HKD1.90 per share to the public, which were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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

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

The consolidated financial statements are presented in RMB, which is the same as the functional currency of the Company.

### 2. ADOPTION OF NEW ACCOUNTING POLICIES

#### 2.1 Application of the new and revised International Financial Reporting Standards (“IFRSs”)

In the current year, the Group has applied, for the first time, certain new, revised or amendments to IFRSs (“new and revised IFRSs”) that are mandatorily effective for the current year. The application of these new and revised IFRSs in the current year, except for those described below, has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

#### *New and revised Standards on consolidation, joint arrangements, associates and disclosures*

In the current year, the Group has applied for the first time IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investments in Associates and Joint Ventures* (as revised in 2011) together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding the transitional guidance. The application of IFRS 10 has had no material impact on the consolidated financial statements after the directors’ assessment. The application of IFRS12 will result in more disclosures in the consolidated financial statements for the year ended 31 December 2013.

#### *Impact of the application of IFRS 11*

IFRS 11 replaces IAS 31 *Interests in Joint Ventures*, and the guidance contained in a related interpretation, SIC-13 *Jointly Controlled Entities — Non-Monetary Contributions by Venturers*, has been incorporated in IAS 28 (as revised in 2011).

Under IFRS 11, there are only two types of joint arrangements — joint operations and joint ventures. The classification of joint arrangements under IFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances, instead of legal form of the arrangement under the replaced IAS 31. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture

is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, IAS 31 contemplated three types of joint arrangements — jointly controlled entities, jointly controlled operations and jointly controlled assets.

Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly), in accordance with the applicable Standards.

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of IFRS 11. The directors concluded that the Group's investment in Guizhou Jinlin Chemical Co., Ltd. ("Guizhou Jinlin") and Yantai Port Fertilizer Logistics Co., Ltd. ("Yantai Logistics"), which were classified as jointly controlled entities under IAS 31 and were accounted for using the proportionate consolidation method, should be classified as joint ventures under IFRS 11 and accounted for using the equity method in accordance with the relevant transitional provisions set out in IFRS 11.

The initial investment as at 1 January 2012 for the purposes of applying the equity method is measured as the aggregate of the carrying amounts of the assets and liabilities that the Group had previously proportionately consolidated (see the tables below for details). Also, the directors of the Company performed an impairment assessment on the initial investment as at 1 January 2012 and concluded that no impairment is required. The measure reported for resource allocation and segment's performance assessment is revised in the current year as a result of the application of IFRS 11 and details are set out in note 3. Comparative amounts have been restated to reflect the aforesaid changes in accounting for the Group's investment in Guizhou Jinlin and Yantai Logistics.

#### ***IFRS 13 Fair Value Measurement***

IFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. IFRS 13 applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions as mentioned in basis of preparation.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under the current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique.

In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively.

#### ***Amendments to IAS 1 Presentation of Items of Other Comprehensive Income***

Under the amendments to IAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income and their corresponding income tax, if presented, to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

### *IAS 19 Employee Benefits (as revised in 2011)*

IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the “corridor approach” permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a “net interest” amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset.

The Group considered that there is no material financial impact arising from the application of IAS 19 (as revised in 2011).

### *IFRIC 20 Stripping Cost in the Production Phase of a Surface Mine*

IFRIC 20 *Stripping Cost in the Production Phase of a Surface Mine* applies to waste removal costs that are incurred in surface mining activity during the production phase of a mine (“production stripping costs”). Under the Interpretation, the stripping costs which provide improved access to ore is recognised as a non-current asset (“stripping activity asset”) and classified as tangible or intangible according to the nature of the existing asset of which it forms part when certain criteria are met, whereas the costs of normal on-going operational stripping activities are accounted for in accordance with IAS 2 *Inventories*. Previously, the Group accounted for the stripping costs in production phase of a surface mine in inventories and amortised with the units of production method.

The Group has applied the relevant transitional provisions and restated the comparative amounts. The unamortised costs previously recorded in inventories are reclassified as a part of property, plant and equipment to which the stripping activity related, to the extent that there remains an identifiable component of the ore body with which the predecessor stripping asset can be associated. Such balances is depreciated on units of production method of the identified component of the ore body to which each predecessor stripping asset balance relates (see the tables below for details).

### *Summary of the effects of the above changes in accounting policies and a reclassification*

The effects of changes in accounting policies described above on the results for the current and prior year by line items are as follows:

	Year ended 31 December			
	2013		2012	
	IFRS 11 RMB'000	IFRIC 20 RMB'000	IFRS 11 RMB'000	IFRIC 20 RMB'000
Decrease in revenue	11,680	—	—	—
Decrease in cost of sales	(9,798)	—	—	—
Decrease in other income and gains	455	—	476	—
Decrease in selling and distribution expenses	(90)	—	—	—
Decrease in administrative expenses	(2,048)	—	(1,473)	—
Decrease in other expenses	—	—	(14)	—
Decrease in finance income	394	—	1,174	—
Decrease in finance costs	(84)	—	—	—
Decrease in income tax expense	(772)	—	(95)	—
Increase in share of losses (profits) of joint ventures	263	—	(68)	—
Profit and total comprehensive income for the year	—	—	—	—

The effects of the above changes and a reclassification on the financial positions of the Group as at 1 January 2012 and 31 December 2012 are as follows:

	As at 1/1/2012				As at		As at			As at
	(originally stated)	IFRS 11	IFRIC 20	Other	1/1/2012 (restated)	31/12/2012 (originally stated)	IFRS 11	IFRIC 20	Other	31/12/2012 (restated)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment	9,347,634	(37,055)	43,155	—	9,353,734	10,031,001	(72,431)	38,845	—	9,997,415
Prepayments for property, plant and equipment	—	—	—	458,350	458,350	—	—	—	396,926	396,926
Mining and exploration rights	482,868	(2,917)	—	—	479,951	481,304	(2,905)	—	—	478,399
Intangible assets	129,685	(46)	—	—	129,639	124,905	(33)	—	—	124,872
Investments in joint ventures	—	121,084	—	—	121,084	—	121,151	—	—	121,151
Inventories	1,473,422	—	(43,155)	—	1,430,267	1,672,210	(171)	(38,845)	—	1,633,194
Trade receivables	147,272	—	—	—	147,272	97,830	(1,310)	—	—	96,520
Prepayments, deposits and other receivables	730,989	(21,145)	—	(340,412)	369,432	723,822	(28,152)	—	(299,246)	396,424
Available-for-sale investment	—	—	—	—	—	11,610	(11,610)	—	—	—
Time deposits	32,850	(32,850)	—	—	—	13,500	(13,500)	—	—	—
Bank balances and cash	2,803,266	(35,846)	—	—	2,767,420	2,578,880	(15,214)	—	—	2,563,666
Deferred revenue	(14,734)	—	—	—	(14,734)	(39,318)	1,418	—	—	(37,900)
Deferred tax liability	(71,796)	—	—	—	(71,796)	(72,870)	95	—	—	(72,775)
Other payables and accruals	(1,765,424)	8,775	—	(117,938)	(1,874,587)	(1,654,907)	22,662	—	(97,680)	(1,729,925)
Total effects on net assets	13,296,032	—	—	—	13,296,032	13,967,967	—	—	—	13,967,967

Impact on cash flows for the year ended 31 December 2013 and 2012 on the application of IFRS 11

	Year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Decrease in net cash (from) used in operating activities	(778)	991
Decrease in net cash used in investing activities	5,662	19,641
Net cash inflow	4,884	20,632

### Impact on earnings per share

The above changes in accounting policies and a reclassification has no impact on the basic earnings per share or diluted earnings per share for the year ended 31 December 2013 and 2012.

## 2.2 New and revised IFRSs not yet effective and not early adopted

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities <sup>1</sup>
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures <sup>3</sup>
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions <sup>2</sup>
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities <sup>1</sup>
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets <sup>1</sup>
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting <sup>1</sup>
Amendments to IFRSs	Annual Improvements to IFRSs 2010–2012 Cycle <sup>4</sup>
Amendments to IFRSs	Annual Improvements to IFRSs 2011–2013 Cycle <sup>2</sup>
IFRS 9	Financial Instruments <sup>3</sup>
IFRS 14	Regulatory Deferral Accounts <sup>5</sup>
IFRIC 21	Levies <sup>1</sup>

- <sup>1</sup> Effective for annual periods beginning on or after 1 January 2014
- <sup>2</sup> Effective for annual periods beginning on or after 1 July 2014
- <sup>3</sup> Available for application — the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised
- <sup>4</sup> Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
- <sup>5</sup> Effective for first annual IFRS financial statements beginning on or after 1 January 2016

Except for IFRS 9, the directors of the Company do not anticipate that the application of the new and revised IFRSs above will have a material effect on the Group's consolidated financial statements.

IFRS 9 introduced new requirements, among others, for the classification and measurement of financial assets and financial liabilities as well as for derecognition. Key requirements of IFRS 9 are:

- All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

The directors of the Company anticipate that the application of IFRS 9 in the future may have an impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

### 3. OPERATING SEGMENT INFORMATION

Information reported to the Chief Executive Officer, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on types of goods and services delivered or produced. 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 fertiliser segment is engaged in the manufacture and sale of MAP and DAP fertiliser;
- (c) the methanol segment is engaged in the manufacture and sale of methanol; and
- (d) the "others" segment mainly comprises segments engaged in manufacture and sale of compound fertiliser, Bulk Blending (the "BB") fertiliser, POM and woven plastic bags, trading of fertilisers and chemicals, port operations and provision of transportation services.

The measure reported for resources allocation and segment's performance assessment is revised in the current year upon the application of the new and revised IFRSs as detailed in note 2 and the corresponding segment information for 2012 has been restated accordingly. There is no other change in reported measure.

Segment performance is evaluated based on segment result and is measured consistently with profit before tax in the consolidated financial statements. However, the Group's financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are determined on an arm's length basis in a manner similar to transactions with third parties.

### Operating segments

	Phosphorus					
	Urea	fertiliser	Methanol	Others	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Year ended 31 December 2013</b>						
<b>Segment revenue:</b>						
Sales to external customers	3,672,779	2,119,043	3,585,285	1,346,529	—	10,723,636
Inter-segment sales	64,476	12,355	—	380,582	(457,413)	—
Total	<u>3,737,255</u>	<u>2,131,398</u>	<u>3,585,285</u>	<u>1,727,111</u>	<u>(457,413)</u>	<u>10,723,636</u>
Segment profit before tax	<u>1,383,859</u>	<u>(82,797)</u>	<u>1,333,593</u>	<u>(230,209)</u>	<u>—</u>	<u>2,404,446</u>
Interest and unallocated income						134,406
Corporate and other unallocated expenses						(120,288)
Exchange losses, net						(8,792)
Change in fair value of derivative financial instrument						(52,901)
Share of losses of joint ventures						(263)
Share of losses of associates						(9,350)
Profit before tax						<u>2,347,258</u>
<b>As at 31 December 2013</b>						
Total segment assets	5,995,403	3,191,017	3,179,960	3,480,140	(151,906)	15,694,614
Unallocated						2,841,186
Total assets						<u>18,535,800</u>
Total segment liabilities	954,890	2,007,580	671,966	1,293,216	(1,971,876)	2,955,776
Unallocated						78,793
Total liabilities						<u>3,034,569</u>
<b>Other segment information:</b>						
Depreciation and amortization	268,304	221,453	226,501	109,231	—	825,489
Impairment of property, plant and equipment	—	16,991	—	105,720	—	122,711
Investments in associates	653,230	—	—	174,862	—	828,092
Investments in joint ventures	—	—	—	213,635	—	213,635
Capital expenditure*	<u>1,441,615</u>	<u>125,983</u>	<u>12,607</u>	<u>333,137</u>	<u>—</u>	<u>1,913,342</u>

	Urea	Phosphorus fertiliser	Methanol	Others	Elimination	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Year ended 31 December 2012</b>						
<b>(Restated)</b>						
<b>Segment revenue:</b>						
Sales to external customers	4,080,231	1,759,922	3,462,605	1,436,453	—	10,739,211
Inter-segment sales	81,628	—	27,358	166,303	(275,289)	—
Total	<u>4,161,859</u>	<u>1,759,922</u>	<u>3,489,963</u>	<u>1,602,756</u>	<u>(275,289)</u>	<u>10,739,211</u>
Segment profit before tax	<u>1,536,846</u>	<u>67,393</u>	<u>1,260,310</u>	<u>(260,518)</u>	<u>—</u>	<u>2,604,031</u>
Interest and unallocated income						136,753
Corporate and other unallocated expenses						(125,809)
Exchange losses, net						(7,489)
Change in fair value of derivative financial instrument						—
Share of profits of joint ventures						68
Share of profits of associates						86
Profit before tax						<u>2,607,640</u>
<b>As at 31 December 2012 (Restated)</b>						
Total segment assets	4,370,583	3,618,966	3,321,623	3,489,792	(79,496)	14,721,468
Unallocated						<u>2,483,547</u>
Total assets						<u>17,205,015</u>
Total segment liabilities	895,426	2,149,988	409,173	1,582,518	(2,532,435)	2,504,670
Unallocated						<u>73,672</u>
Total liabilities						<u>2,578,342</u>
<b>Other segment information:</b>						
Depreciation and amortization	330,664	126,126	216,803	120,083	—	793,676
Impairment of property, plant and equipment	—	—	—	131,694	—	131,694
Investments in associates	653,230	—	—	1,203	—	654,433
Investments in joint ventures	—	—	—	121,151	—	121,151
Capital expenditure*	<u>700,071</u>	<u>545,676</u>	<u>2,486</u>	<u>324,249</u>	<u>—</u>	<u>1,572,482</u>

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

- 1 Inter-segment revenues are eliminated on consolidation.
- 2 Profit for each operating segment does not include interest and unallocated income, corporate and other unallocated expenses, exchange gains, change in fair value of derivative financial instrument, share of profits (losses) of joint ventures and share of profits (losses) of associates.
- 3 Segment assets do not include deferred tax assets, available-for-sale financial assets, cash and bank balances, assets of centralised cost centre and inter-segment balances.

- 4 Segment liabilities do not include interest payables, dividends payable, deferred tax liabilities, liabilities of centralised cost centre and inter-segment balances.

### Geographic information

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

	2013 RMB'000	2012 RMB'000
Sales to external customers:		
— PRC	9,404,418	9,634,630
— Others	1,319,218	1,104,581
	<u>10,723,636</u>	<u>10,739,211</u>

(b) Non-current assets

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

### Information about major customer

No single customers contributed 10% or more to the Group's revenue for both 2013 and 2012.

## 4. REVENUE, OTHER INCOME AND GAINS

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

An analysis of revenue, other income and gains is as follows:

	2013 RMB'000	2012 RMB'000 (Restated)
<b>Revenue</b>		
Sale of goods	10,339,640	10,335,368
Rendering of services	383,996	403,843
	<u>10,723,636</u>	<u>10,739,211</u>
<b>Other income and gains</b>		
Gain on maturity of unlisted investments	73,546	79,787
Gain on disposal of property, plant and equipment	2	376
Gain on disposal of prepaid lease payments	38,361	—
Income from sale of other materials	14,719	14,327
Income from rendering of other services	18,081	7,124
Gross rental income	696	2,302
Government grants	7,314	16,397
Indemnities received	3,617	280
	<u>156,336</u>	<u>120,593</u>

## 5. FINANCE COSTS

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i> (Restated)
Interest on bank and financial institution borrowings wholly repayable within five years	410	21,141
Finance charges payable under other-long term liabilities	<u>1,706</u>	<u>1,713</u>
Total interest expense on financial liabilities not at fair value through profit or loss	2,116	22,854
Interest capitalised on qualifying assets	<u>(410)</u>	<u>(10,320)</u>
	1,706	12,534
Unwinding of discounts	<u>865</u>	<u>984</u>
	<u><u>2,571</u></u>	<u><u>13,518</u></u>

## 6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i> (Restated)
Cost of inventories sold	7,029,829	6,880,383
Cost of services provided	339,198	338,573
Depreciation	797,051	768,707
Amortisation of mining rights	2,046	1,552
Amortisation of prepaid lease payments	15,637	12,243
Amortisation of intangible assets included in administrative expense	10,755	11,174
Auditors' remuneration	3,900	3,900
Employee benefit expense (including directors' and supervisors' remuneration):		
Wages and salaries	529,845	491,489
Defined contribution pension scheme	78,882	69,308
Early retirement benefits and post-employment allowances	1,028	446
Medical benefit costs	36,779	33,399
Housing fund	<u>42,053</u>	<u>31,833</u>
	<u>688,587</u>	<u>626,475</u>
Reversal of allowance for doubtful receivables*	(273)	(2)
Loss on disposal of property, plant and equipment*	31,592	3,152
Change in fair value of obligation arising from a put option to a non-controlling shareholder*	5,416	—
Change in fair value of a derivative financial instrument*	47,485	—
Write-down of inventories to net realisable value, included in cost of sales	30,419	33,759
Impairment of property, plant and equipment	<u>122,711</u>	<u>131,694</u>

\* These items are included in "other expenses" on the face of the consolidated statement of profit or loss.

## 7. INCOME TAX EXPENSE

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i> (Restated)
Current tax		
PRC Enterprise Income Tax	615,905	643,941
Deferred tax	<u>(69,694)</u>	<u>(28,142)</u>
	546,211	615,799
Under provision in prior year	<u>7,951</u>	<u>8,221</u>
	<u><u>554,162</u></u>	<u><u>624,020</u></u>

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

### (a) Enterprise income tax (“EIT”)

Under the Law of the People’s Republic of China on Enterprise Income Tax Law (the “EIT Law”) and Implementation Regulation of the CIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

CNOOC Fudao Limited, a subsidiary of the Company, is entitled to preferential EIT rate of 15% for the three years ended 31 December 2013 after being assessed as a high-tech enterprise.

CNOOC Tianye Chemical Limited (“CNOOC Tianye”), a subsidiary of the Company, is entitled to preferential EIT rate of 15% for the three years ended 31 December 2014 after being assessed as a high-tech enterprise.

Hubei Dayukou Chemical Co., Ltd., a subsidiary of the Company, is entitled to a preferential EIT rate of 15% for the three years ended 31 December 2013 after being assessed as a high-tech enterprise.

Hainan Basuo Port Limited, a subsidiary of the Company, is entitled to an exemption from EIT for the five years ended 31 December 2009 and a 50% reduction in the applicable EIT rate for the five years ending 31 December 2014 as the company is engaged in infrastructure development and operation.

### (b) Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the years ended 31 December 2013 and 2012.

(c) **Corporate income tax in Canada**

No provision for Canadian income tax has been made as the Group's subsidiary had no assessable profits arising in Canada for the period ended 31 December 2013 and from its incorporation date.

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

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i> (Restated)
Profit before tax	<u>2,347,258</u>	<u>2,607,640</u>
Tax at the statutory tax rate of 25%	586,814	651,910
Effect of income that is exempt from taxation	(781)	(455)
Income tax on concessionary rate	(71,102)	(41,987)
Under provision in respect of prior years	7,951	8,221
Tax effect of share of profits (losses) of joint ventures and associates	2,403	(39)
Tax effect of tax losses not recognised	13,305	636
Tax effect of deductible temporary differences not recognised	6,837	990
Expenses not deductible for tax	<u>8,735</u>	<u>4,744</u>
Income tax expense	<u><u>554,162</u></u>	<u><u>624,020</u></u>
The Group's effective income tax rate	<u><u>23.61%</u></u>	<u><u>23.93%</u></u>

**8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT**

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
<b>Earnings</b>		
Profit for the year attributable to owners of the parent	<u><u>1,647,081</u></u>	<u><u>1,810,463</u></u>
	<b>Number of shares</b>	
	<i>'000</i>	<i>'000</i>
<b>Shares</b>		
Number of shares in issue during the year	<u><u>4,610,000</u></u>	<u><u>4,610,000</u></u>

The Group had no potential dilutive ordinary shares in issue during these years.

**9. TRADE RECEIVABLES**

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

The trading terms of the Group with its methanol and polyoxymethylene customers 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 the trade receivables of the Group as at the end of the reporting year, based on invoice dates and net of allowance for doubtful debts, is as follows:

	<b>2013</b> <i>RMB'000</i>	2012 <i>RMB'000</i> (Restated)
Within six months	<b>107,858</b>	85,929
Over six months but within one year	<b>2,311</b>	8,040
Over one year but within two years	<b>504</b>	990
Over two years but within three years	<b>916</b>	1,561
	<b><u>111,589</u></b>	<u>96,520</u>

As at 31 December 2013, the amount due from CNOOC, its subsidiaries, and associates, (other than the ultimate holding company collectively referred to as the “CNOOC group companies”) included in the above trade receivable balances was RMB14,763,000 (2012: RMB13,806,000). The amount due is unsecured, non-interest-bearing and repayable on similar credit terms to those offered to the major customers of the Group.

## 10. DIVIDENDS

	<b>2013</b> <i>RMB'000</i>	2012 <i>RMB'000</i>
Proposed final dividend		
— RMB0.14 (2012: RMB0.15) per ordinary share	<b><u>645,400</u></b>	<u>691,500</u>

The proposed 2012 final dividend was approved at the annual general meeting on 31 May 2013. The proposed 2013 final dividend is subject to the approval of the Company’s shareholders at the forthcoming 2013 annual general meeting.

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

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

## 11. TRADE AND BILLS PAYABLES

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

	<b>2013</b> <i>RMB'000</i>	2012 <i>RMB'000</i>
Within six months	<b>517,717</b>	403,328
Over six months but within one year	<b>12,538</b>	13,753
Over one year but within two years	<b>6,730</b>	3,944
Over two years but within three years	<b>80</b>	2,733
Over three years	<b>1,399</b>	4,624
	<hr/> <b>538,464</b> <hr/>	<hr/> 428,382 <hr/>

As at 31 December 2013, the amounts due to CNOOC group companies included in the above trade payable and bills payable balances amounted to RMB205,815,000 (2012: RMB225,407,000). As at 31 December 2013, the amounts due to CNOOC included in the above trade payable and bills payable balances amounted to RMBnil (2012: RMB50,000).

### (III) MANAGEMENT DISCUSSION AND ANALYSIS

#### 1. Sector Review

##### *Fertiliser Industry*

In 2013, the PRC government continued to increase inputs in the agricultural sector to ensure the state security of grain supply by raising farm subsidies and the minimum purchase prices of grain, motivating farmers to farm grains and promoting on-going increase in grain production. In 2013, cultivated area across the nation increased to 111,950,000 hectares, representing an increase of 0.7% as compared with 2012, and total grain production for the year increased by 2.1% to 601,940,000 tonnes, exceeding 600 million tonnes for the first time in history and achieving growth in grain production for 10 consecutive years. In 2013, the global grain production has also reached a record high.

Although the demand for chemical fertilisers from the global agricultural sector grew steadily in 2013, the chemical fertiliser market became more competitive in the second half of the year due to a significant increase in global supply of chemical fertilisers, resulting in a decline in profitability of the global chemical fertiliser industry.

On 20 February 2013, the railway freight rates for chemical fertiliser transportation in China was adjusted upward by RMB0.015 to RMB0.0976 per tonne-kilometre, causing a remarkable increase in transportation cost of chemical fertiliser in China. Since 10 July 2013, the price of onshore natural gas used by chemical fertiliser producers in China increased by up to RMB0.25 per cubic meter, significantly escalating the production cost of domestic urea producers who use onshore natural gas as raw materials.

In 2013, low-season export tariff rate for domestic urea was reduced to 2%, from 7% in 2012 and export benchmark price for domestic urea increased to RMB2,260 per tonne, from RMB2,100 per tonne in 2012, while low-season export window was set from July to October; low-season export tariff rate for domestic ammonium phosphate was reduced to 5%, from 7% in 2012, export benchmark price for MAP increased to RMB3,200 per tonne, from RMB2,900 per tonne in 2012 and export benchmark price for DAP increased to RMB3,500 per tonne, from RMB3,400 per tonne in 2012, while low-season export window for ammonium phosphate was set from 16 May to 15 October, representing an extension of one month as compared with 2012.

##### *(1) Urea*

Domestic urea production volume in 2013 was approximately 71.97 million tonnes (in kind), an increase of approximately 7% over 2012. Export volume of urea increased by around 19% over 2012 to 8.27 million tonnes (in kind). In 2013, domestic apparent consumption of urea was approximately 63.73 million tonnes, an increase of approximately 6% over 2012.

In the first quarter of 2013, the domestic market price of urea fluctuated within a narrow range between RMB2,250 and RMB2,300 per tonne. As the production cost of domestic coal-based urea was dragged down by a drop in coal price, the production volume of urea increased significantly, which led to a drop in the domestic market price of urea since mid-April 2013. Even though the low-season export window for domestic urea opened on 1 July 2013, the urea price in domestic market continued to drop due to the urea price decrease in international market as well as the oversupply of urea in domestic

market, and the urea price in domestic market decreased to approximately RMB1,700 per tonne in mid-October 2013. After November 2013, urea price in international market stabilized and rebounded, utilisation rate of natural gas based domestic urea production decreased and urea price in domestic market recovered slightly. As at the end of 2013, the urea price in domestic market was approximately RMB1,750 per tonne.

## *(2) Phosphate Fertilisers*

In 2013, domestic production volume of ammonium phosphate was over 26 million tonnes (in kind), an increase of approximately 4% over 2012. Export volume of ammonium phosphate was 4.53 million tonnes (in kind), consistent with the level in 2012. In 2013, domestic apparent consumption of ammonium phosphate was approximately 21.70 million tonnes, an increase of approximately 8% over 2012.

In the first four months of 2013, domestic production volume of ammonium phosphate increased significantly as compared with the same period last year, but the market price of DAP fluctuated within a narrow range from RMB3,000 to RMB3,200 because market price of ammonium phosphate remained stable during peak season of domestic demand for ammonium phosphate. Even though the low-season export window for domestic ammonium phosphate opened on 16 May 2013, the ammonium phosphate price in domestic market dropped significantly beginning mid-May 2013 due to price depression of ammonium phosphate caused by increase in supply in international market as well as impediment to export of domestic ammonium phosphate. For the period from the end of October 2013 to the end of December 2013, the DAP price in domestic market dropped to, and maintained at, approximately RMB2,500 to RMB2,600 per tonne.

## *Chemical industry*

In 2013, although the domestic demand for methanol from traditional downstream sectors grew slowly, the domestic methanol market was primarily driven by the demand for methanol as an alternative energy and for methanol-to-olefin.

Since 10 July 2013, the price of onshore natural gas used by methanol producers in China increased by up to RMB0.40 per cubic meter, significantly escalating the production cost of domestic methanol producers who use onshore natural gas as raw material.

The demand for POM in the domestic market has been sluggish as a result of the slowdown of domestic economic growth.

### *(1) Methanol*

In 2013, domestic methanol production volume was approximately 28.79 million tonnes, an increase of approximately 9% over 2012. Methanol import volume was approximately 4.86 million tonnes, a decrease of approximately 3% as compared with 2012, and methanol export volume was approximately 770,000 tonnes, a significant increase of approximately 700,000 tonnes over 2012. In 2013, domestic apparent consumption of methanol was approximately 32.88 million tonnes, an increase of approximately 6% over 2012.

The methanol price in major domestic markets remained stable during the first quarter of 2013 with the prices fluctuating in a narrow range between RMB2,700 and RMB2,850 per tonne. Beginning late April 2013, methanol market price declined slightly due to

the drop in energy prices, and methanol price in major domestic markets was approximately RMB2,550 per tonne as at the end of July 2013. Beginning August 2013, methanol price in international market and methanol export from China increased significantly as a result of an acute shortage of methanol in global market due to concentrated overhauls of some machineries and equipment for methanol production. In September 2013, methanol price in domestic market surged due to the increase in domestic demand of methanol as a result of the operation of new domestic methanol-to-olefin projects. As at the end of the year, the methanol price in domestic major market was approximately RMB3,500 per tonne.

## *(2) POM*

In 2013, domestic POM production volume was approximately 250,000 tonnes, representing a decrease of approximately 4% over 2012.

As the price of mid-to-low end POM in the domestic market continued to be lower than its production cost, a decrease in the utilization rate of domestic POM manufacturers in the first three quarters of 2013 resulted in a reduction in supply of POM. Thus, severe oversupply of mid-to-low end POM has been alleviated. The price of mid-to-low end POM in domestic market started to rebound to RMB9,500 per tonne in October 2013 from RMB8,200 per tonne at the beginning of 2013. Since November 2013, the approaching low season and manufacturers' pressure to clear stock resulted in a slight decrease in the price of mid-to-low end POM in domestic market. As at the end of the year, the price of mid-to-low end POM in domestic market stabilised at approximately RMB9,000 per tonne.

## **2. Business Review**

### *Production Management*

During the reporting period, the Company continued to ensure the safe and stable operation at all its major plants through strengthening HSE management and refined production management. CNOOC Tianye and Hainan Fudao Phase I Urea Plants, and our three Methanol plants, all exceeded their respective historical records for long-period operation.

During the reporting period, DYK DAP Phase I successfully produced high-end compound fertilisers. In 2013, the plant produced 269,344 tonnes of DAP and 26,392 tonnes of high-end compound fertilisers.

Details of production of the Group's plants in 2013 are set out as follows:

	For the year ended 31 December			
	2013		2012	
	Production	Utilisation	Production	Utilisation
	(tonnes)	rate	(tonnes)	rate
		(%)		(%)
<b>Chemical fertilisers</b>				
<b>Urea</b>				
Fudao Phase I	570,460	109.7	525,481	101.1
Fudao Phase II	862,021	107.8	766,063	95.8
CNOOC Tianye	590,111	113.5	566,117	108.9
Group total	<u>2,022,592</u>	<u>109.9</u>	<u>1,857,661</u>	<u>101.0</u>
<b>Phosphate Fertilisers and Compound Fertilisers</b>				
DYK MAP	73,464	49.0	52,917	35.3
DYK DAP Phase I ( <i>Note 1</i> )	295,736	84.5	400,724	114.5
DYK DAP Phase II ( <i>Note 2</i> )	473,448	94.7	176,915	84.9
Group total	<u>842,648</u>	<u>84.3</u>	<u>630,556</u>	<u>89.0</u>
<b>Chemical Products</b>				
<b>Methanol</b>				
Hainan Phase I	581,540	96.9	651,100	108.5
Hainan Phase II	791,170	98.9	774,818	96.9
CNOOC Tianye	200,340	100.2	166,001	83.0
Group total	<u>1,573,050</u>	<u>98.3</u>	<u>1,591,919</u>	<u>99.5</u>
<b>POM</b>				
CNOOC Tianye POM	16,002	26.7	28,831	48.1
Group total	<u>16,002</u>	<u>26.7</u>	<u>28,831</u>	<u>48.1</u>

*Note 1:* In 2013, DYK DAP Phase I Plant produced 269,344 tonnes of DAP and 26,392 tonnes of high-end compound fertilisers, amounting to 295,736 tonnes in total.

*Note 2:* DYK DAP Phase II Plant went into commercial operation on 1 August 2012. Its production volume in 2012 was included from the date of commencement of commercial operation.

### ***Sales Management***

In 2013, the Company has closely monitored the changes in market and adjusted its sales strategy in a timely manner. With the favourable export policy on chemical fertilisers, the Company has put greater efforts into export, resulting in our export volume of 505,000 tonnes of urea and 152,000 tonnes of ammonium phosphate. As benefited from the growing methanol market in China in the second half of the year, the Company has improved profit of the methanol business significantly.

## Urea

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

Sales region	For the year ended 31 December 2013		2012	
	Volume (tonnes)	Percentage (%)	Volume (tonnes)	Percentage (%)
North-eastern China	179,929	8.8	139,324	7.4
Northern China	379,880	18.7	495,332	26.4
Eastern China	143,818	7.1	116,488	6.2
South-eastern China	85,502	4.2	88,697	4.7
Southern China	591,311	29.1	592,330	31.5
Hainan	147,750	7.3	178,763	9.5
International	504,993	24.8	269,784	14.3
<b>Total</b>	<b>2,033,183</b>	<b>100.0</b>	<b>1,880,718</b>	<b>100.0</b>

## Phosphate Fertilisers

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

Sales region	For the year ended 31 December 2013		2012	
	Volume (tonnes)	Percentage (%)	Volume (tonnes)	Percentage (%)
North-eastern China	340,256	42.6	223,185	39.5
Northern China	213,645	26.8	164,080	29.0
Eastern China	60,060	7.5	53,194	9.4
South-eastern China	18,210	2.3	17,808	3.2
Southern China	13,616	1.7	19,523	3.5
International	152,303	19.1	86,889	15.4
<b>Total</b>	<b>798,090</b>	<b>100.0</b>	<b>564,679</b>	<b>100.0</b>

## *Methanol*

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

<b>Sales region</b>	<b>For the year ended 31 December</b>			
	<b>2013</b>		<b>2012</b>	
	<b>Volume (tonnes)</b>	<b>Percentage (%)</b>	<b>Volume (tonnes)</b>	<b>Percentage (%)</b>
North-eastern China	<b>80,470</b>	<b>5.2</b>	56,226	3.6
Northern China	<b>86,959</b>	<b>5.6</b>	61,462	3.9
Eastern China	<b>144,708</b>	<b>9.3</b>	176,317	11.2
South-eastern China	<b>115,769</b>	<b>7.5</b>	211,081	13.5
Southern China	<b>1,041,781</b>	<b>67.3</b>	981,965	62.6
Hainan	<b>38,521</b>	<b>2.5</b>	81,516	5.2
International	<b>40,683</b>	<b>2.6</b>	—	—
Total	<b><u>1,548,891</u></b>	<b><u>100.0</u></b>	<b><u>1,568,567</u></b>	<b><u>100.0</u></b>

## *POM*

In 2013, the Group sold a total of 16,844 tonnes of POM.

## *Compound fertilisers*

In 2013, the Group sold a total of 8,021 tonnes of high-end compound fertilisers.

## *BB fertilisers*

In 2013, the Group produced a total of 73,459 tonnes of BB fertilisers with a sales volume of 72,564 tonnes.

## *Sea-land logistics services*

In 2013, Basuo Port completed a record-high volume of freight throughput of 9.21 million tonnes.

### **3. Financial Review**

#### *Sales revenue*

During the reporting period, the Group's revenue was RMB10,723.6 million, a decrease of RMB15.6 million or 0.15% from RMB10,739.2 million in 2012.

During the reporting period, the Group's external revenue from urea was RMB3,672.8 million, a decrease of RMB407.4 million or 10.0% from RMB4,080.2 million in 2012. The decrease was primarily attributable to: (1) the decrease in the selling price of urea by RMB363 per tonne, resulting in a decrease in revenue of RMB682.8 million; which was partially offset by (2) the increase in sales volume of urea by 152,465 tonnes compared with 2012, contributing to an increase in revenue of RMB275.4 million.

During the reporting period, the Group's external revenue from phosphate fertilisers was RMB2,119.0 million, an increase of RMB359.1 million or 20.4% from RMB1,759.9 million in 2012. The increase was primarily attributable to: (1) the increase in sales volume of phosphate fertilisers by 233,411 tonnes as compared with 2012, contributing to an increase in revenue of RMB619.7 million; which was partially offset by (2) the decrease in price of phosphate fertilisers by RMB462 per tonne, resulting in a decrease in revenue of RMB260.6 million.

During the reporting period, the Group's external revenue from the methanol segment was RMB3,585.3 million, an increase of RMB122.7 million or 3.5% from RMB3,462.6 million in 2012. The increase was primarily attributable to: (1) an increase in selling price of methanol by RMB107 per tonne, contributing to an increase in revenue of RMB166.1 million; which was partially offset by (2) a decrease in sales volume of methanol by 19,676 tonnes, resulting in a decrease in revenue of RMB43.4 million.

During the reporting period, the Group's revenue from other segments (primarily comprising manufacture and sales of compound fertilisers, BB fertilisers, POM and woven plastic bags, trading in chemical fertilisers and chemicals, port operations and provision of transportation services) decreased by RMB90.0 million or 6.3% from RMB1,436.5 million in 2012 to RMB1,346.5 million in 2013. The decrease was primarily attributable to: (1) a significant decrease in the POM sales volume of CNOOC Tianye in Inner Mongolia in the reporting period by 16,646 tonnes as compared with the same period last year, resulting in a drop in sales revenue of POM by RMB116.4 million, despite an increase in the selling price of POM by RMB191 per tonne; which was partially offset by (2) an increase in revenue of RMB36.7 million from the sales of 8,021 tonne of high-end compound fertilisers successfully manufactured by the Company in the reporting period.

#### *Cost of sales*

During the reporting period, the Group's cost of sales was RMB7,500.3 million, an increase of RMB67.4 million or 0.9% from RMB7,432.9 million in 2012.

During the reporting period, the Group's cost of sales for urea was RMB2,053.4 million, a decrease by RMB240.4 million or 10.5% from RMB2,293.8 million in 2012. The decrease was primarily attributable to: (1) an increase in the production volume by 164,931 tonnes over 2012, due to the stable operations of our three sets of urea production facilities, causing a decrease in unit production cost and resulting in a drop in our cost of sales by RMB256.2 million; (2) a decrease in export tariff for urea by RMB102.9 million over 2012; (3) a decrease in cost for the overhaul of urea plants by RMB66.9 million over 2012; which were partially offset by (4) an increase in sales volume of urea by 152,465 tonnes over 2012, contributing to an increase in cost of sales by RMB154.0 million.

The Group's cost of sales for phosphate fertilisers for the reporting period was RMB1,980.3 million, an increase of RMB376.0 million or 23.4% from RMB1,604.3 million in 2012. The increase was primarily attributable to: (1) an increase in sales volume of phosphate fertilisers by 233,411 tonnes over 2012, resulting in an increase in cost of sales of RMB579.2 million; which was partially offset by (2) a drop in price of raw materials for phosphate fertilisers, contributing to a decrease in cost of sales of RMB203.2 million.

The Group's cost of sales for methanol for the reporting period was RMB2,114.9 million, an increase of RMB46.0 million or 2.2% from RMB2,068.9 million in 2012. The increase was primarily attributable to the increase in cost of sales by RMB46.1 million due to the overhaul of two methanol plants in Hainan.

The Group's cost of sales from other segments for the reporting period decreased by RMB114.2 million or 7.8% from RMB1,465.9 million in 2012 to RMB1,351.7 million in 2013. The decrease was primarily attributable to: (1) a decrease in sales volume of POM by 16,464 tonnes, contributing to a decrease in cost of sales by RMB160.0 million; (2) a decrease in cost of transportation business of Basuo Port in Hainan by RMB18.6 million; (3) an increase in cost of sales of compound fertilisers and BB fertilisers by RMB61.1 million; and (4) an increase in cost of sales of trading of chemical fertilisers and chemicals by RMB3.3 million.

#### *Gross profit*

The Group's gross profit for the reporting period was RMB3,223.3 million, a decrease of RMB83.0 million or 2.5% from RMB3,306.3 million in 2012. The decrease was primarily attributable to: (1) a decrease in gross profit for urea by RMB167.0 million; (2) a decrease in gross profit for phosphate fertilisers by RMB16.9 million; (3) an increase in gross profit for methanol by RMB76.7 million; and (4) an increase in gross profit for other segments by RMB24.2 million.

#### *Other income and gains*

The Group's other gains for the reporting period amounted to RMB156.3 million, an increase by RMB35.7 million or 29.6% from other gains of RMB120.6 million in 2012. The increase was primarily attributable to an one-off gain of RMB38.4 million from the disposal of a parcel of land by CNOOC Tianye.

#### *Selling and distribution costs*

The Group's selling and distribution costs for the reporting period amounted to RMB347.0 million, an increase of RMB128.9 million or 59.1% from RMB218.1 million in 2012. The increase was primarily attributable to: (1) an increase in transportation expenses of RMB114.4 million over 2012 due to the adjustment of the selling price of phosphate fertiliser from ex factory price to price delivered to the destination; and (2) the increase in loading and unloading, transportation and miscellaneous port expenses caused by an increase in export of urea.

#### *Administrative expenses*

The Group's administrative expenses for the reporting period amounted to RMB476.3 million, an increase of RMB45.0 million or 10.4% from RMB431.3 million in 2012. The increase was primarily attributable to: (1) an increase in research and development expenses for technology by RMB15.3 million over 2012; (2) an increase in consultancy fee for overseas projects by RMB10.9 million over 2012; (3) an increase in management expenses by RMB40.9 million due to an adjustment of initial investment for Hualu Coal Chemical Ltd. and Baotou Coal Chemical Co. Ltd. to management expenses; which were partially offset by (4) a decrease in other management expenses by RMB22.1 million over 2012.

### *Other expenses*

The Group's other expenses for the reporting period amounted to RMB76.0 million, an increase of RMB44.2 million, or 139.0%, from RMB31.8 million for the same period of 2012. The increase was primarily due to: (1) the establishment of CBC (Canada) Holding Corp. ("CBC (Canada)") jointly by the Company and Benewood Holdings Corporation Limited for the acquisition of 19.9% equity interests in Western Potash Corp. ("Western Potash") in Canada. Pursuant to the joint venture agreement, Benewood Holdings Corporation Limited was granted an unconditional put option by the Company and the Company was entitled to a conditional call option, and the options were valued by using Black-Scholes Option Pricing Model. As at 31 December 2013, the loss on such derivative financial instruments was RMB52.9 million, which was partially offset by (2) a decrease in our donation by RMB7.7 million over 2012.

### *Finance income and finance costs*

The Group's finance income for the reporting period decreased by RMB3.7 million, or 25.7%, to RMB10.7 million from RMB14.4 million in 2012. The decrease was primarily due to a decrease in the average daily balance of our deposits as compared with 2012 and a drop in the interest rate for deposits in domestic banks.

The Group's finance costs for the reporting period amounted to RMB2.6 million, a decrease by RMB10.9 million, or 80.7%, from RMB13.5 million in 2012. The decrease was primarily attributable to a significant decrease in our bank borrowings as compared with 2012.

### *Asset impairment losses*

During the reporting period, the Group's asset impairment loss was RMB122.7 million, a decrease of RMB9.0 million or 6.8% as compared with RMB131.7 million in 2012. The decrease was primarily attributable to: (1) a loss from CNOOC Tianye's POM business, resulting in a provision of RMB105.7 million made for asset impairment loss of POM plant in 2013 in accordance with IAS 36, a decrease of RMB26.0 million as compared with 2012; (2) an increase in asset impairment loss of DYK by RMB17.0 million.

### *Exchange losses, net*

During the reporting period, the Group recorded exchange losses of RMB8.8 million, an increase by RMB1.3 million or 17.3% from RMB7.5 million in 2012. The increase was primarily attributable to the effect of appreciation of RMB on the US\$ settlement for export of our products.

### *Share of profit of associate and joint venture*

During the reporting period, the share of loss of associate and joint venture was RMB9.6 million, a decrease of RMB9.8 million as compared with the share of profit of associate and joint venture of RMB0.2 million in 2012. The change was primarily due to a loss of RMB9.5 million attributable to CBC (Canada)'s 19.9% equity interests in Western Potash as at the end of 2013.

### *Income tax expense*

The Group's income tax expense for the reporting period was RMB554.2 million, a decrease of RMB69.8 million, or 11.2%, from RMB624.0 million in 2012. The decrease was primarily attributable to a decrease in the profit before taxation by RMB260.4 million.

### *Net profit for the year*

The Group's net profit for the reporting period was RMB1,793.1 million, a decrease by RMB190.5 million, or 9.6%, from RMB1,983.6 million in 2012.

### *Dividends*

The Board of Directors (the "Board") of the Company recommended the payment of a final dividend of RMB0.14 per share for 2013, aggregating RMB645.4 million.

The proposed final dividend for 2013 will be subject to the approval of the shareholders of the Company at the 2013 annual general meeting.

### *Capital expenditure*

During the reporting period, the Group's capital expenditure in respect of acquisitions, property, plant and equipment as well as prepaid lease payments amounted to RMB1,913.3 million. Capital expenditure primarily included: (1) an investment of RMB1,348.1 million for the Huahe 520,000 tonnes/year Urea Project; (2) an investment of RMB192.4 million for the acquisition of equity interests in Western Potash by CBC (Canada), a subsidiary of the Group; (3) the capital injection of RMB92.8 million into Guizhou Jinlin by the Company for the payment of mining rights for phosphoric ores; and (4) an investment of RMB280.0 million for upgrades and equipment purchases for production plants.

### *Pledge of assets*

During the reporting period, the Group did not pledge any assets.

### *Capital management*

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating 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 to it 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 2013 (calculated as interest-bearing liabilities divided by the sum of total equity and interest bearing liabilities) was 0.2%, an increase by 0.2% compared with 0% as at 31 December 2012, which was primarily attributable to an increase in bank borrowings of Heilongjiang Huahe Coal Chemical Limited during the reporting period.

### *Cash and cash equivalents*

As at the beginning of 2013, the Group's cash and cash equivalents were RMB2,563.7 million. In 2013, the net cash inflow from operating activities was RMB3,096.8 million, net cash outflow from investing activities was RMB1,926.9 million, net cash outflow from financing activities was RMB797.1 million, and the decrease caused by the exchange

movement on cash was RMB2.5 million. As at 31 December 2013, the Group's cash and cash equivalents were RMB2,934.0 million. The Group has sufficient working capital to meet the funds required for its day-to-day operation and future development.

#### *Human resources and training*

As at 31 December 2013, the Group had 6,154 employees. The aggregate of employees' wages and allowances for 2013 was approximately RMB479.7 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 Company effectively provides incentive to its staff. The Company determines staff remuneration according to their positions, performance and capability.

During the reporting period, the Company held 5,447 training courses, with a total of 229,628 enrolments and 788,971 training hours according to its annual training program.

#### *Market risks*

The major market risks of the Group are exposure to changes in the selling prices of the key products and in costs of raw materials (mainly natural gas, phosphate ore, ammonia and sulphur), fuels (mainly coal) and energy and fluctuations in interest rates or exchange rates.

#### *Commodity price risk*

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

#### *Interest rate risk*

The major interest rate risk that the Group is exposed to includes the Group's long-term debt obligations which are subject to floating interest rates.

#### *Foreign exchange risk*

The Group's revenue was primarily denominated in Renminbi and secondarily in US dollar. During the reporting period, the Renminbi to US dollar exchange rate ranged between 6.0969 and 6.2898. RMB to USD exchange fluctuation may affect import of our equipment and raw materials as well as export of our products.

As at 31 December 2013, the Group had no debts which were denominated in currencies other than RMB.

#### *Inflation and currency risk*

According to the National Bureau of Statistics of China, the consumer price index of the PRC increased by 2.6% during the reporting period, which did not have a significant effect on the Group's operating results for the year.

### *Liquidity risk*

The Group monitors its risk exposure to a shortage of funds. The Group also considers the liquidity of both its financial investments and financial assets (for example, trade receivables and other financial assets) and projected cash flows from operating activities. The Group's objective is to maintain a balance between continuity and flexibility of funding through the use of various funding options, including bank loans and bonds. As at 31 December 2013, none of the Group's interest-bearing debts would mature in less than one year.

### *Post balance sheet events and contingent liabilities*

After the reporting period and up to the date of this announcement, the Group had no material post balance sheet events or material contingent liabilities.

### *Material litigation and arbitration*

As at 31 December 2013, the Group had no material litigation or arbitration.

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

During the reporting period, (1) the Company completed the deregistration of CNOOC Jincheng Coal Chemical Industry Co., Ltd. in March 2013; (2) CNOOC Fudao Limited absorbed and merged with Hainan CNOOC Complex Fertiliser Co., Ltd. in November 2013; and (3) Hainan Basuo Port Limited completed the acquisition of 8% equity interests in Hainan CNOOC Transportation Co., Ltd in 2013.

## **4. Sector Outlook**

In 2014, steady growth in domestic demand for chemical fertilisers and the new policy of export tariff for chemical fertilisers will gradually alleviate the oversupply of chemical fertilisers in China.

For the chemical industry, as the Chinese economy will grow steadily in 2014, methanol as alternative energy and methanol-to-olefin will continue to be the major drivers for the growth in domestic demand for methanol, but oversupply of mid-to-low end POM in domestic market will remain.

## **5. Our Key Tasks in 2014**

1. To further investigate and eliminate potential risks and dangers in production and strengthen safety management of production, aiming at ensuring safe, stable and highly efficient operation of the Company's major plants; to complete the initial operation and production optimisation of production line C of POM Plant properly; to adjust production proportion of DAP and high-end compound fertilisers according to changing market demand; to strive to achieve production and operation targets by tightening cost and expenses control.
2. To closely monitor the market trend of chemical fertilisers and chemicals at home and abroad, further expand sales channels of high-end compound fertilisers and POM and make efforts to complete annual sales target by leveraging on favourable export policies regarding urea and ammonium phosphate.

3. To actively advance the construction of the coal-based urea project in Hegang, Heilongjiang, ensuring the commencement of the trial production in the fourth quarter of 2014 and advance government approval for the development of ancillary coal mines;
4. To advance the project of CNOOC Tianye in Inner Mongolia to convert its production from natural gas-based to coal-based as planned;
5. To accelerate the administrative approval process for the development of phosphorus resources in Guizhou and Yichang;
6. To continue verifying and optimising the feasibility study on the potash development project of Western Potash;
7. To resolve expediently the dispute with the joint venture partner of the Yangpoquan coal mine in Hualu, Shanxi; and
8. To continue to look out for development opportunities in China and overseas that fit the Company's development strategy.

#### **(IV) SUPPLEMENTAL INFORMATION**

##### **Audit Committee**

The Audit Committee has reviewed, with the management, the accounting principles and standards adopted by the Group, and discussed the internal control and financial reporting matters. The annual results for the year ended 31 December 2013 have been audited by Deloitte Touche Tohmatsu in accordance with Auditing Standard 700 (Engagement for the auditing of financial statements) issued by Hong Kong Institute of Certified Public Accountants. The Audit Committee has reviewed the financial report for the year ended 31 December 2013.

##### **Compliance With Corporate Governance Code**

During the reporting period, the Company had complied with all code provisions of the Code on Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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

The Board confirms that, having made specific enquiries with all directors and supervisors, during the reporting period ended 31 December 2013, all members of the Board and all supervisors have complied with the required standards as set out in the Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 of the Listing Rules.

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

The register of members of the Company will be closed from 24 April 2014 to 23 May 2014 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for attendance at the annual general meeting (the "AGM"), all instruments of transfer, accompanied by the relevant H share certificates, must be lodged with the Hong Kong share registrar for H Shares, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 23 April 2014.

## **Proposed Final Dividend and Closure of the Register of Members**

The Board has recommended the payment of a final dividend of RMB0.14 (tax included) per share for the year ended 31 December 2013 to shareholders of the Company whose names appear on the register of members of the Company on the proposed record date, 2 June 2014. The proposed final dividend for 2013 will be subject to the approval of shareholders of the Company at the 2013 annual general meeting. For the holders of domestic shares, dividends will be paid in RMB. For the holders of H Shares, dividends will be paid in Hong Kong dollars.

The register of members of the Company will be closed from 29 May 2014 to 2 June 2014 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for the proposed final dividend, all instruments of transfer, accompanied by the relevant H share certificates, must be lodged with the Hong Kong share registrar for H Shares, Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 28 May 2014.

## **Withholding of Enterprise Income Tax and Individual Income Tax in respect of Dividend Payment**

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

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

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

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

During 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

## Disclosure on the Website of the Stock Exchange

This results announcement is published on the HKExnews website (<http://www.hkexnews.hk>) and on the Company's website (<http://www.chinabluechem.com.cn/>). The 2013 Annual Report will be available on the HKExnews and the Company's website in due course.

By Order of the Board  
**China BlueChemical Ltd.\***

**Li Hui**  
*Chairman*

Hong Kong, the People's Republic of China, 27 March 2014

*As at the date of this announcement, the executive Director is Mr. Yang Yexin; the non-executive Directors are Mr. Li Hui, Mr. Yang Shubo and Mr. Zhu Lei; the independent non-executive Directors are Mr. Gu Zongqin, Ms. Lee Kit Ying and Mr. Lee Kwan Hung.*

*\* for identification purpose only*