Annual Report 2013

HKSE CODE: 3983

中海石油化学股份有限公司
China BlueChemical Ltd.

COMPANY PROFILE

China BlueChemical Ltd. ("China BlueChem", stock code: 03983) is a large-scale and modernized enterprise engaging in the development, production and sales of mineral fertilisers and chemical products. Headquartered in Beijing, China BlueChem's production facilities are located in Hainan Province, the Inner Mongolia Autonomous Region and Hubei Province. Its total designed annual production capacity amounts to 1,840,000 tonnes of urea, 1,000,000 tonnes of phosphate fertilisers, 1,600,000 tonnes of methanol and 60,000 tonnes of POM. 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 mineral fertilisers and chemical businesses.

The production facilities in Inner Mongolia

The production facilities in Hainan

The production facilities in Hubei

CONTENTS

Financial Highlights

Selected consolidated income statement data

For the year ended 31 December, RMB'million

	2009	2010	2011	2012 (Restated)	2013
Revenue	5,794.6	6,867.3	9,756.3	10,739.2	**10,723.6**
Cost of sales	(4,075.3)	(4,678.5)	(6,488.7)	(7,432.9)	**(7,500.3)**
Gross profit	1,719.3	2,188.7	3,267.6	3,306.3	**3,223.3**
Other income and gains	69.3	67.3	127.9	120.6	**156.3**
Selling and distribution costs	(132.8)	(147.8)	(169.4)	(218.1)	**(347.0)**
Administrative expenses	(349.4)	(382.6)	(418.3)	(431.3)	**(476.3)**
Other expenses	(23.6)	(34.8)	(32.1)	(31.8)	**(76.0)**
Finance income	32.4	11.3	16.0	14.4	**10.7**
Finance costs	(14.5)	(11.9)	(18.0)	(13.5)	**(2.6)**
Exchange gains/(losses), net	(3.1)	(4.2)	2.3	(7.5)	**(8.8)**
Share of losses of joint ventures	-	-	-	0.1	**(0.3)**
Share of profits/(losses) of associates	14.8	(0.4)	0.1	0.1	**(9.3)**
Impairment of property, plant and equipment	-	-	-	(131.7)	**(122.7)**
Profit before tax	1,312.4	1,685.7	2,776.1	2,607.6	**2,347.3**
Income tax expense	(197.7)	(316.0)	(556.4)	(624.0)	**(554.2)**
Profit for the year	1,114.7	1,369.7	2,219.7	1,983.6	**1,793.1**
Profit for the year attributable to equity holders of the parent	984.7	1,175.3	1,985.8	1,810.5	**1,647.1**
Basic earnings per share attributable to ordinary equity holders of the parent (RMB)	0.21	0.25	0.43	0.39	**0.36**

Selected consolidated statement of financial position data

As at 31 December, RMB'million

	2009	2010	2011 (Restated)	2012 (Restated)	2013
Assets					
Non-current assets	9,042.3	10,650.8	11,780.6	12,427.3	**13,448.8**
Current assets	3,604.1	3,875.8	4,797.3	4,777.7	**5,087.0**
Total assets	12,646.4	14,526.7	16,577.9	17,205.0	**18,535.8**
Equity and liabilities					
Total equity	10,944.2	11,922.0	13,567.7	14,626.7	**15,501.2**
Non-current liabilities	249.8	580.1	680.0	273.5	**368.0**
Current liabilities	1,452.4	2,024.6	2,330.2	2,304.8	**2,666.6**
Total	12,646.4	14,526.7	16,577.9	17,205.0	**18,535.8**

Operational Highlights

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

		For the year ended 31 December					
		Production volume (tonnes)			Utilisation rate (%)		
		2013	2012	Change %	2013	2012	Change
Chemical fertilisers							
Urea	Fudao Phase I	570,460	525,481	8.6	109.7	101.1	8.6
	Fudao Phase II	862,021	766,063	12.5	107.8	95.8	12.0
	CNOOC Tianye	590,111	566,117	4.2	113.5	108.9	4.6
	Group total	2,022,592	1,857,661	8.9	109.9	101.0	8.9
Phosphate fertilisers and compound fertilisers	DYK MAP	73,464	52,917	38.8	49.0	35.3	13.7
	DYK DAP Phase I(Note 1)	295,736	400,724	(26.2)	84.5	114.5	(30.0)
	DYK DAP Phase II(Note 2)	473,448	176,915	167.6	94.7	84.9	9.8
	Group total	842,648	630,556	33.6	84.3	89.0	(4.7)
Chemical products							
Methanol	Hainan Phase I	581,540	651,100	(10.7)	96.9	108.5	(11.6)
	Hainan Phase II	791,170	774,818	2.1	98.9	96.9	2.0
	CNOOC Tianye	200,340	166,001	20.7	100.2	83.0	17.2
	Group total	1,573,050	1,591,919	(1.2)	98.3	99.5	(1.2)
POM	CNOOC Tianye POM	16,002	28,831	(44.5)	26.7	48.1	(21.4)
	Group total	16,002	28,831	(44.5)	26.7	48.1	(21.4)

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 volume of the Group's various plants

Unit: tonne

		For the year ended 31 December 2013	For the year ended 31 December 2012	Change (%)
Chemical fertilisers				
Urea	Fudao Phase I	557,959	543,678	2.6
	Fudao Phase II	870,563	792,353	9.9
	CNOOC Tianye	604,661	544,687	11.0
	Group total	2,033,183	1,880,718	8.1
Phosphate fertilisers	DYK MAP	71,245	54,161	31.5
	DYK DAP Phase I	279,635	425,540	(34.3)
	DYK DAP Phase II	447,210	84,978	426.3
	Group total	798,090	564,679	41.3
Chemical products				
Methanol	Hainan Phase I	577,658	638,615	(9.5)
	Hainan Phase II	789,514	801,255	(1.5)
	CNOOC Tianye	181,719	128,697	41.2
	Group total	1,548,891	1,568,567	(1.3)
POM	CNOOC Tianye POM	16,844	33,308	(49.4)
	Group total	16,844	33,308	(49.4)

Chairman's Statement

Dear shareholders,

Thanks to your trust, concern and support, your Company delivered sound results in 2013 amidst complex and volatile situations in the markets for chemical fertilisers and chemicals through solid production management and effective sales strategies.

In 2013, your Company realised a net profit attributable to the owners of the parent of RMB1,647 million. To reward our shareholders, the Board has recommended the payment of a final dividend of RMB0.14 per share for 2013 (tax inclusive), representing an increase in the pay-out ratio to 39%.

In 2013, with a view to further enhancing the Company's corporate governance standard, the Board of the Company proposed the revision of the Articles of Association and was subsequently approved by the general meeting, established the Board diversity policy and specified that responsibilities in corporate governance shall be directly undertaken by the Board. The Board also drove the management of the Company to optimize its risk management platform and take proactive measures to prevent major risks facing its operations and development.

The Board believes that it is important to leverage the extensive knowledge and experiences of the Directors in their respective areas of expertise. Arrangements have been made for Directors to conduct on-site investigations of the Company's business and development on multiple occasions, while they have provided valuable professional opinions during reviews and discussions about significant matters in the Company's operations and development.

The Board appreciates the importance of communications with the Company's shareholders and other members of the capital market. At the 2012 annual general meeting, the Board conducted positive and effective communication with the shareholders on the Company's operations and development. The Company also emphasised the building of investor relations through multiple channels and timely disclosure of the Company's business developments to the capital market in diligent fulfillment of its duties in information disclosure.

Looking to 2014, the global economy will recover slowly and economic growth in China will be stable. Domestic demand for methanol will be boosted by the development of methanol as an alternative energy and methanol-to-olefin. To ensure the security of food supply in the country, the Chinese Government will continue to enhance its support for the agricultural industry, which will result in rigid domestic demand for chemical fertilisers. The Company will reinforce its existing strengths, pursue development prudently and control risks associated with its operations and development stringently to deliver sound return to shareholders.

Finally, on behalf of the Board, I would like to express heartfelt gratitude for your total trust in and support for the Company during the past year. It is our hope that you will continue to show your concern for the Company's development in 2014. Sincere thanks are also due to our management and staff for their hard work during the year.

Li Hui

Chairman

CEO's Report

Dear shareholders,

In 2013, there was stable growth in domestic demand for chemical fertilisers. However, the market gradually lost its balance with the substantial increase in fertiliser supply, which brought significant impact to our fertiliser business. Regarding methanol, the domestic methanol price surged during the second half of the year with the growing demand for methanol and tight supply in the global markets. Thus, the Company was benefitted as a major domestic methanol supplier. During the year, your Company lowered the production costs of fertilisers due to higher production volume led by improved operating efficiency of the Company's fertiliser plants. Amid increasingly intense competition in fertiliser market, the Company ensured the sales of its fertiliser products through further expanding its sales channels and enhancing its exports by leveraging the Company's brand and geographic advantages. As a result, the Company achieved sound operating performance in 2013.

Review of 2013

For 2013, your Company reported revenue of RMB10,700.23 million, while net profit attributable to owners of the parent amounted to RMB1,647 million. The Company maintained its leadership position in the industry in terms of profitability with gross profit margin reached 30%.

During the year, the Company assured safe and stable operation at all production plants as it continued to enhance HSE and refined production management. In particular, new records of long-period operation were set at Hainan Fudao Phase I Urea Plant, CNOOC Tianye Urea Plant and the three methanol plants. Following initiatives in techniques upgrades and process optimisation, CNOOC Tianye POM Plant reported stable operations in the second half of the year with substantially improvememt in product quality.

With sufficient natural gas supply and the long-period operation of the urea plants, your Company reported record-high urea production volume exceeding 2.02 million tonnes in 2013. DYK Chemical produced 743,000 tonnes of DAP, a substantial increase by 29% compared to 2012. To deal with the pressure of oversupply in the phosphate market, the Company completed the trial production of 26,000 tonnes of high-end compound fertilisers at DYK Chemical DAP Phase I in the second half of the year after overcoming certain technological hurdles and thus strengthened its competitiveness in the chemical fertiliser market.

The Company closely monitored the changes in the domestic and overseas markets for chemical fertilisers and chemical products and adjusted its sales strategy accordingly in a timely manner. The Company managed to increase its exports of urea and phosphate fertilisers through fully leveraging policies favourable to the export of chemical fertilisers. As a result, sales volume of urea and phosphate fertilisers grew by 8% and 41%, respectively, as compared to the previous year. Profit of the Company's methanol business also increased substantially as it capitalised on opportunities presented by upward trend of the methanol market in the second half of the year.

With regard to the development, our 520,000 tonnes per year coal-based urea project in Hegang, Heilongjiang, together with the development of auxiliary coal mines, was progressing as scheduled, while CBC Canada, a subsidiary of the Company, was conducting in-depth study of the potash project in association with Western Potash Corp. of Canada. The project of CNOOC Tianye to convert its production from natural gas-based to coal-based in Inner Mongolia was also progressing as scheduled, while efforts were being made to drive the pre-development of phosphorous resources in Guizhou and Yichang.

In 2013, the Company continued to enhance its management standards by strengthening fundamental management. Measures in refined production management, such as incident and potential risks reporting and key operations manuals, were prompted continuously to ensure stable and efficient operation of our production plants. Improvements were made to the system of classified supplier management, while centralised procurement management was actively implemented, resulting in a more regulated procurement process and lower procurement costs. The Company also made further improvements to its risk information management platform to facilitate proactive defense against major risks associated with its operation and development.

The Company always put high emphasis on energy saving, emission reduction and environmental protection. In 2013, the Company continued to conduct technological transformation and process optimisation and exercised stringent control over energy consumption and the discharge of contaminants. The Company achieved an annual energy saving of 12,000 tonnes standard coal equivalent and attained the standard of emissions set by PRC without incurring any incidents of contamination. During the year, the Company was awarded the title of "Leader and Benchmark Enterprise in Energy Efficiency" by China Petroleum and Chemical Industry Federation.

In 2013, we continued to actively engage in education assistance, relief for the underprivileged and other charitable activities, making total donations to the society of RMB4.70 million over the year.

Outlook for 2014

Looking ahead to 2014, the situation of oversupply in the fertilizer market is expected to be eased by stable domestic demand growth and favorable export policies on fertilizers. The application of methanol as an alternative energy and methanol-to-olefin will continue to drive the growth in domestic demand for methanol. However, oversupply of mid-to-low end POM products in domestic market will remain.

In 2014, we will continue to strengthen HSE and refined production management to ensure safe and stable operation at all production plants and complete the initial operation and production optimisation of Production Line C of the POM Plant, while the proportion of DAP and high-end compound fertilisers in production will be adjusted according to changes in market demand. In connection with sales, the Company will enhance its sales by closely monitoring the market trend at home and abroad, fully leveraging on favorable export policies regarding urea and phosphate, and future developing sales channels for high-end compound fertilisers and DAP. With regard to the development, the Company will ensure commencement of trial production in the fourth quarter for its coal-based urea project in Hegang, Heilongjiang, advance government approval for the development of ancillary coal mines, carry on with reviews and optimisation in connection with the feasibility study report for the potash project of Western Potash Corp. of Canada, drive the natural gas-to-coal conversion project of CNOOC Tianye in Inner Mongolia and accelerate the administrative approval process for the development of phosphorus resources in Guizhou and Yichang.

2014 will be a year of opportunities as well as challenges. Under the leadership of the Board of Directors, we will be nimble enough to address the challenges, seize opportunities in a timely manner, and strive to achieve the annual production targets with enhanced efficiency with a view to adding value for shareholders.

Yang Yexin

CEO & President

Management Discussion and Analysis

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 materials.

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 under review, 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 has resulted in a slight decrease in the price of mid-to-low end POM in domestic market. As at the end of the under review, the price of mid-to-low end POM in domestic market stabilised at approximately RMB9,000 per tonne.

Business Review

Production management

During the reporting period, the Company continued to ensure the safe and stable operation at all of 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 *(tonnes)*	Utilisation rate *(%)*	Production *(tonnes)*	Utilisation rate *(%)*
Chemical fertilisers				
Urea				
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	2,022,592	109.9	1,857,661	101.0
Phosphate fertilisers and compound fertilisers				
DYK MAP	73,464	49.0	52,917	35.3
DYK DAP Phase I (Note 1)	295,736	84.5	400,724	114.5
DYK DAP Phase II (Note 2)	473,448	94.7	176,915	84.9
Group total	842,648	84.3	630,556	89.0
Chemical products				
Methanol				
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	1,573,050	98.3	1,591,919	99.5
POM				
CNOOC Tianye POM	16,002	26.7	28,831	48.1
Group total	16,002	26.7	28,831	48.1

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:

	For the year ended 31 December			
	2013		2012	
Sales region	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
Total	2,033,183	100.0	1,880,718	100.0

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:

	For the year ended 31 December			
	2013		2012	
Sales region	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
Total	**798,090**	**100.0**	564,679	100.0

Methanol

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

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

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.

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 fertilizer 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 appreciation of RMB on the US dollar 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 interestbearing 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 exchangemovement 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 US dollar 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 annual report, 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.

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.

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 domestic and international market trend of chemical fertilisers and chemicals, 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 expedite 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.

Quality, Health, Safety and Environmental Protection

In 2013, the Company accomplished its QHSE management objectives for 2013 and ensured strong alignment of shareholders' value, customers' interests, employees' health and social responsibility, as it carried out vigorous investigation and rectification of hazards and assessment of significant danger sources with a special emphasis on the prevention of significant risks in a move to enhance QHSE management, in continued adherence to the safety management philosophy of "Safety First and Focus on Prevention.

Quality management

The Company ensures the attainment of its targets in quality assurance through the stringent and consistent implementation of the quality control management system.

During the reporting period, the Company's urea products attained a superior quality rate of 99.48% with a 100% pass rate on net weight of single packet and a 96.41% customer satisfaction rate, methanol products attained a superior quality rate of 100% with a 95.5% of customer satisfaction rate; and DAP products attained a superior quality rate of 100%.

Health, safety and environmental protection (HSE) management

In 2013, the Company continued to improve its HSE system by updating our emergency setup, training on safety management and occupational health management system. The Company continued to build up its emergency management system and improve its emergency measures. We emphasised on on-going training on safety and occupational skills for our staff members as well as safety management of our contractors, assuming our responsibility for production safety.

The Company has carried out vigorous investigation and rectification of hazards and assessment of weaknesses of our measures for safety and environmental protection by conducting HAZOP (hazard and operability analysis) thoroughly at all chemical production plants, and made rectification and improvements accordingly, enhancing the safety level of all chemical production plants. The Company has always placed emphasis on energy efficiency, reduction in emission and environmental protection. In 2013, the Company continued its technological advancement and production process optimisation, and conducted strict control over energy consumption and pollution emission, resulting in energy conservation of standard coal of 12,000 tonnes. In order to strengthen our management of environmental protection, the Company introduced the HSE environmental protection indicator into our departmental appraisal. Environmental protection management will be one of our key areas for our safety inspection, and all our production plants will be encouraged to install eco-management information system. Pollution emission of the Company has met the national standards without any incidents of environmental pollution. During the year, the Company was named as the "Benchmark Enterprise of Leading Energy Efficiency " by China Petroleum and Chemical Industry Federation.

In 2013, the Company achieved excellent results in HSE management. No major incident of responsibility or occupational hazards occurred during the year. The OSHA index of recordable incident was 0.013.


事有万千安全为先
五想五不干
安全行为准则


天野化工

Human Resources

In adherence to our principle of being "people-oriented and employee-caring" and with a strong focus on enhancing awareness for execution, pursuing a personnel policy that is scientific, reasonable and highly-efficient, optimising the structure of human resources, emphasizing team building and driving optimisation of the employment and remuneration system in due course, the Company is fully committed to improving its human resource management standards to provide a solid base and secured availability of high-calibre staff.

Remuneration and benefits

Taking into account the basis of market competition and internal fairness, the Company provides employees with a sophisticated and highly competitive remuneration and benefit regime. Staff remunerations are determined according to their positions, performances and capabilities.

In 2013, the Company was committed to implement the proposal of remunerations optimisation for Basuo Port. In addition, the Company formulated an incentive scheme for sales staff to effectively motivate the sales team, and conducted an initial discussion and research on incentive scheme for technicians as well as research and development staff.

Performance appraisal

The Company has established a scientific and reasonable performance appraisal scheme and an effective incentive and binding mechanism to assure mutual development for the Company and its employees in all aspects.

In 2013, the Company arranged and improved the operational and management target regime for the units in our organisation chart, highlighting key performance indexes, fine-tuning the performance contract with our senior management, direct management and departmental staff members, emphasising the assessment of management efficiency of all departmental functions and management functions of all departments, organising the annual and semi-annual assessment of operational results as well as commencing annual performance appraisal scheme by hierarchical levels.

Training management

In 2013, trainings for senior management and specialised trainings were focused on at head office level, and the organisation, coordination and guidance of trainings for technical and skilled teams in the lower level in the organisation chart have been strengthened. All units in our organisation chart made joint efforts to upgrade the training regime by launching trainings in different manners tailored-made for distinctive job requirements, enhancing the technical level of our team.

In 2013, the Company held 5,447 training courses for a total of 229,628 participants, spanning over 788,971 hours in aggregate.

Corporate Governance Report

In 2013, the Company incessantly strived for excellence in corporate governance, protecting the best interest of the shareholders on the basis of compliant operation, prudence and fairness, effectiveness and transparency.

Since 2006, the Company has established a well-balanced and independently-operated modern corporate governance structure , comprising the general meetings, the board of directors (the "Board"), the supervisory committee of the Company (the "Supervisory Committee") and senior management of the Company in accordance with the laws and regulations, such as the Company Law of the People's Republic of China (the "Company Law"), rules and guidelines of domestic and overseas regulatory bodies, and the requirements of the provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Appendix 14 thereto.

During the reporting period, the Company was in compliance with the code provisions of Corporate Governance Code set out in Appendix 14 to the Listing Rules. The Company further enhanced its corporate governance system, with all general meetings, meetings of the Board and the Supervisory Committee in compliance with the requirements under the relevant laws and regulations. Disclosures by the Company in the capital market were compliant, punctual, fair and transparent, and information related to the operation and industry of the Company was provided to the Directors and Supervisors on time. Directors were invited to participate in various trainings and conduct on-site studies of our business. The Company continued to refine its internal control system, guiding all its subsidiaries to a higher level of corporate governance.

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

1 General meetings

Duties of general meetings

The general meeting, which is the organ of authority of the Company, shall exercise in accordance with the law the following authorities:

- to decide on 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 representative and to fix the remunerations of directors and supervisors;
- to consider and approve reports of the Directors and the Supervisory Committee, respectively;
- to pass resolutions on matters such as changes in registered capital, mergers, demergers, changes in corporate form, dissolution and liquidation of the Company;
- to pass resolutions on issue of bonds and other securities and listing of the Company;
- to pass resolutions on appointment, removal or non-reappointment of the accounting firm;
- 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 and approve new motions proposed by shareholders, either individually or collectively, holding three percent or more of the shares carrying voting rights in the Company;
- to consider and approve share incentive schemes;
- to deal with matters authorised or delegated by the general meetings to the Board;
- other matters which are required by laws, administrative regulations and the Articles to be resolved by the general meetings.

Shareholders' rights

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

Requisition of extraordinary general meetings

When shareholders, individually or collectively, holding ten per cent or more of the issued and outstanding shares carrying voting rights in 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 requisitioner(s) 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 shares carrying voting rights in the Company, shall be entitled to put forward and submit new proposals in writing ten days before the date of the general meeting to the convenor 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 the proposals that fall within the scope of duties of a general meeting in the meeting agenda and table them 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 law and regulations and shall fall within the scope of business of the Company and the duties of a general meeting; (2) the proposal shall have clear topics for discussion and specific matters to be resolved upon; and (3) the proposals shall be submitted to or lodged with the Board in writing.

The said proposals and written requests from the aforesaid requisitioner(s) calling for the convening of an extraordinary general meeting may be lodged with the Board or the Company Secretary through personal delivery, 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 shall receive a copy of the relevant materials 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 Annual General Meeting of the Company was held, at which 9 resolutions in respect of the 2012 financial statements, the report of the Directors, the report of the Supervisory Committee, and the profit distribution proposal, the 2013 budget proposal and the proposed amendments to the Articles were considered and passed. All the Directors of the Company attended the Annual General Meeting.

The procedures for the holding and the approval of resolutions of the above general meeting of the Company have complied with the relevant laws and regulations and the relevant provisions of the Articles and have thereby effectively safeguarded the interests of all shareholders.

2 Board of directors

The Board, which is the decision-making body within the Company's corporate governance structure, is accountable to the general meeting.

Duties of the Board

While it delegates authorities and responsibilities to the management for the purposes of managing day-to-day business operations of the Group, the Board is responsible for formulating operating plans and investment proposals, establishing management objectives, reviewing the performance of the Company, evaluating the effectiveness of management strategies, formulating the Company's profit distribution and losses recovery proposals, appointing or removing senior management of the Company and fixing their remunerations, deciding on the establishment of the Company's internal management structure, formulating the Company's basic management regime, and exercising proprietary powers to, inter alia:

- Convene the general meetings, report to the general meetings and implement the resolutions of the general meetings;
- formulate the operating plans, investment proposals, proposals for annual financial budgets and final accounts, and proposals for profit distribution and losses recovery of the Company;
- formulate proposals for increase or reduction of the registered capital, issue of bonds and other securities and listing of the Company;
- formulate proposals for mergers, demergers, changes in corporate form and dissolution of the Company;
- decide on the establishment of the Company's internal management structure, appoint or remove the president of the Company, appoint or remove other senior management based on the nomination of the president and fix their remunerations;
- formulate proposals for amendments to the Articles and the basic management regime of the Company;
- propose to the general meetings for the appointment, re-appointment or dismissal of accounting firms providing auditing services to the Company;
- exercise other authorities stipulated in the Articles or conferred by general meetings.

Directors

The Board currently consists of seven Directors, including one executive Director, three non-executive Directors, and three independent non-executive Directors. No relationship (including financial, business, family or other significant or relevant relationship) exists among the members of the Board. The profiles of the Directors are set out on pages 31 to 32 of this annual report.

In addition to compliance with the provisions of the Company Law and the Listing Rules, the composition and structure of the Board has also established an efficient internal balancing mechanism, as well as catered to the needs of the Company's operation and development.

The incumbent members of the Board are set out as follows:

Board member	Position	Date of appointment
Li Hui	Chairman and non-executive Director	5 June 2012
Yang Yexin	Executive Director	5 June 2012
Yang Shubo	Non-executive Director	5 June 2012
Zhu Lei	Non-executive Director	5 June 2012
Gu Zongqin	Independent non-executive Director	5 June 2012
Lee Kit Ying	Independent non-executive Director	5 June 2012
Lee Kwan Hung	Independent non-executive Director	5 June 2012

Each of the non-executive Directors and the independent non-executive Directors has entered into a service contract with the Company for a term of three years from 5 June 2012 or until a new Director is elected at the general meeting held by the Company in the year when his/her term of office expires. If, however, non-executive Directors and independent non-executive Directors are not re-elected promptly when their term of office expires, the existing non-executive Directors and independent non-executive Directors shall, in accordance with the provisions of the laws, regulations, and the Articles, discharge their duties as non-executive Directors and independent non-executive Directors prior to the election at the general meeting held by the Company in the year when their term of office expires.

The Board comprised three independent non-executive Directors, which represented over one-third of the total members of the Board. During the reporting period, all independent non-executive Directors of the Company have submitted to the Company their annual confirmation letters in respect of their independence. The Board has assessed the independence of each independent non-executive Director and, therefore, considers all independent non-executive Directors to be independent within the meaning of the Listing Rules. One of the independent non-executive Directors has the qualifications in full compliance with Rule 3.10 (2), namely, having appropriate professional qualifications or appropriate accounting or relevant financial management expertise. The number of the independent non-executive Directors, their independence and qualifications were in full compliance with the provisions of the Listing Rules. The independent non-executive Directors owe 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 a vital balancing function in the decision-making process of the Board and play a key role in corporate governance. During the reporting period, all the independent non-executive Directors expressed their views and advice on matters concerning the interests of shareholders and the Company at the Board meetings.

Information on Board meetings

During the reporting period, the Board held five on-site meetings and two temporary Board meetings by written resolutions, based on actual working practicality.

Details of attendance of Board members at the on-site Board meetings for the year ended 31 December 2013 are as follows:

Director	Number of meetings attended / held	Attendance rate (%)
Li Hui	4/5 (Note)	80
Yang Yexin	5/5	100
Yang Shubo	5/5	100
Zhu Lei	5/5	100
Gu Zongqin	5/5	100
Lee Kit Ying	5/5	100
Lee Kwan Hung	5/5	100

Note: Due to another pre-scheduled business commitment, Mr. Li Hui was not able to attend one on-site Board meeting and appointed Mr. Yang Yexin to attend and vote on his behalf.

These Board meetings were held and proposals were approved in compliance with the provisions of the relevant laws and regulations and the Articles. The Directors fulfilled their fiduciary duty in a practical manner and made decisions on matters important to the Company only after meticulous discussion. The Directors must declare their direct and indirect interests (if any) in relation to the issues to be discussed at Board meetings. The Directors having such interests must abstain from voting on such issues at such meeting and shall not vote on behalf of other Directors so as to protect the interest of all shareholders of the Company.

Training for directors

In accordance with Code Provision A.6.5 of the Corporate Governance Code, all Directors should take part in continuous professional development to develop and upgrade their knowledge and skills so as to ensure continued contributions to the Board in a comprehensively informed and relevant manner. During the reporting period, all Directors participated in a number of training sessions held in various formats, which included internal training organised by the Company, training provided by other organisations and individual study of relevant documents. Among the Directors, Yang Yexin, Yang Shubo, Zhu Lei, Gu Zongqin, Lee Kit Ying and Lee Kwan Hung participated in the onsite training sessions organised by the Company on 31 May 2013, for the purpose of gaining relevant knowledge on the Hong Kong Code on Takeovers and Mergers. On 23 October 2013, the Company has also dispatched to all the Directors by mail written materials on the amendments to the Hong Kong Listing Rules in 2013, the 2012 review report of Stock Exchange on disclosure in issuer' annual reports to monitor listing rules compliance, as well as the Stock Exchange's guidelines on connected transactions, and the Directors completed this training by reading through such materials. In addition, Mr. Li Hui, Mr. Yang Shubo, and Mr. Zhu Lei, being non-executive Directors, and Mr. Gu Zongqin, Ms. Lee Kit Ying and Mr. Lee Kwan Hung, being independent non-executive Directors, have also participated in on-site trainings by visiting some production bases of the Company so as to better understand the Company's business and project development.

Corporate governance functions

The Board is responsible for carrying out the corporate governance functions and has fulfilled their duties and responsibilities, as set out in Code Provision D.3.1 of the Corporate Governance Code. During the reporting period, by amending the Articles and formulating Board Diversity Policy, the Board further enhanced the Company's corporate governance policy and practices, review and monitor the training and continuous professional development of Directors and senior management, review the Company's compliance with laws, regulatory provisions and the Corporate Governance Code and disclosures in the Corporate Governance Report.

3 Committees of the Board

There are four subordinate committees under the Board, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Investment Review Committee, the terms of reference of each of which have been defined in writing and 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 published on the websites of the Hong Kong Stock Exchange and the Company respectively. Each committee has adequate resources to perform its duties, and shall report and provide recommendations to the Board regularly to assist the Board in making decisions.

Audit Committee

The Audit Committee currently consists of five members, including independent non-executive Directors Ms. Lee Kit Ying, Mr. Gu Zongqin and Mr. Lee Kwan Hung and non-executive Directors Mr. Yang Shubo and Mr. Zhu Lei. Ms. Lee Kit Ying is the Chairman. The qualifications of the chairman of the Audit Committee are in compliance with the requirements under Rule 3.21 of the Listing Rules.

The primary duties of the Audit Committee are to review and supervise the integrity and preparation procedures of the financial statements of the Group and review the annual production operation and financial budget proposals. The Audit Committee is also responsible for the review of the independence and objectivity of the external auditors of the Company and the validity of audit procedures, the appointment, remuneration and terms of engagement of auditors and any issues in connection with the appointment and dismissal of auditors. In addition, the Audit Committee is also responsible for reviewing the effectiveness of the internal control procedures of the Company to ensure efficiency of business operation and achievement of the Company's corporate objectives and strategies. The Audit Committee also examines the annual internal audit work planning of the Company and submits relevant reports, deliberations and recommendations to the Board.

The Audit Committee held four meetings during the reporting period and the work it performed is summarised as follows:

- Reviewed the 2012 financial statements and the 2013 interim financial statements, in particular, focusing on their compliance with accounting standards, the Listing Rules and other regulations, and provided recommendations and advice to the Board;
- Reviewed the 2014 operating and financial budgets of the Company;
- Reviewed the independence of the external auditor and provided recommendations to the Board on appointment of the external auditor, and approved the terms of engagement of the external auditor and the audit fees for 2013.
- Reviewed the statutory audit plan of the external auditor and the nature and scope of their audit prior to the commencement of the audit, met and further discussed the internal financial audit with the external auditor;
- Reviewed the internal audit findings and recommendations for 2013 and approved the internal audit plan for 2014;
- Reviewed the effectiveness of the internal control system of the Company.

Details of attendance of members of Audit Committee at committee meetings during the reporting period are set out as follows:

Audit Committee member	Number of meetings attended / held	Attendance rate (%)
Lee Kit Ying (Chairman)	4/4	100
Gu Zongqin	4/4	100
Lee Kwan Hung	4/4	100
Yang Shubo	4/4	100
Zhu Lei	4/4	100

Remuneration Committee

The Remuneration Committee currently consists of three members, including independent non-executive Directors Mr. Lee Kwan Hung and Ms. Lee Kit Ying, and non-executive Director Mr. Li Hui. Mr. Lee Kwan Hung is the Chairman. The qualifications of the chairman of the Remuneration Committee are in compliance with the requirements under Rule 3.25 of the Listing Rules.

The Remuneration Committee is primarily responsible for studying, reviewing and formulating the remuneration policies and proposals, including the 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 shall, with delegated responsibility from the general meeting and the Board, fix the remuneration of the executive Director, Supervisors and senior management. It is also responsible for monitoring the implementation of the Company's remuneration system. 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 Director is designed to peg the executive Director's remuneration and his/her performance with the Company's corporate objectives and operating results, while taking into account market conditions, in order to provide performance incentives to and retain executive Director.
- The remuneration of non-executive Directors (including independent non-executive Directors), which is subject to approval by the Company's general meeting, is mainly fixed after taking into consideration the complexity of the matters to be handled by them and their responsibilities. Pursuant to the service contracts entered into between the Company and the non-executive Directors (including independent non-executive Directors), the out-of-pocket expenses incurred in the performance of their duties (including attending meetings of the Company) by non-executive Directors (including independent non-executive Directors) 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 2013 are set out in Note 9 to the financial statements.

The Remuneration Committee held two meetings during the reporting period, at which the Remuneration Committee determined the remuneration for Mr. Wang Mingyang, Supervisor of the Company, and reviewed the performance appraisal results of the grantees of the 2012 H-Share Appreciation Rights and the proposal for the third exercise of rights by the grantees.

Details of attendance of members of the Remuneration Committee at committee meetings are set out as follows:

Remuneration Committee member	Number of meetings attended / held	Attendance rate(%)
Lee Kwan Hung (Chairman)	2/2	100
Lee Kit Ying	2/2	100
Li Hui	1/2 (Note)	50

Note: Due to another pre-scheduled business commitment, Mr. Lihui was not able to attend one meeting of the Remuneration Committee and appointed Mr. Lee Kwan Hung to attend and vote on his behalf.

Nomination Committee

The Nomination Committee currently consists of three members, including independent non-executive Directors Mr. Gu Zongqin and Mr. Lee Kwan Hung and executive Director Mr. Yang Yexin. Mr. Gu Zongqin is the Chairman. The qualifications of the chairman of the Nomination Committee are in compliance with the requirements under Code Provision A.5.1 of the Corporate Governance Code.

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 in respect of appointments, re-appointments and succession of the Directors, senior management of the Company and relevant personnel appointed pursuant to the requirements of the Listing Rules based on the standards adopted by the Committee, which include the suitability of the candidates in terms of appropriate professional skills, knowledge and experience, personal integrity, honesty and skills. The Nomination Committee also assesses the independence of each independent non-executive Director.

The nomination procedure for a director candidate is available on the website of the Company, and the specific procedures are: shareholders will recommend candidates for directorship to the Company for consideration; the Nomination Committee will conduct examination of such candidates for directorship and then make recommendations to the Board; following consideration and approval of the Board, the Board will convene a general meeting to which the candidates for directorship will be submitted for consideration.

The Nomination Committee held one meeting during the reporting period, at which the 2013 structure, size and composition of the Board and its subordinated committees were reviewed, including the skill, knowledge and experience of the members.

Details of attendance of members of the Nomination Committee at committee meetings during the reporting period are set out as follows:

Nomination Committee member	Number of meetings attended / held	Attendance rate (%)
Gu Zongqin	1/1	100
Lee Kwan Hung	1/1	100
Yang Yexin	1/1	100

Investment Review Committee

The current Investment Review Committee consists of six members, including independent non-executive Directors Mr. Gu Zongqin and Ms. Lee Kit Ying, non-executive Director Mr. Li Hui, Mr. Yang Shubo and Mr. Zhu Lei, and executive Director Mr. Yang Yexin. Mr. Gu Zongqin is the Chairman.

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

The Investment Review Committee held four on-site meetings and two temporary meetings by written resolutions based on actual working practicality during the reporting period, at which the Investment Review Committee reviewed the major investment projects of the Company for the reporting period and reported its recommendations to the Board.

Details of attendance of members of the Investment Review Committee at on-site committee meetings during the reporting period are set out as follows:

Investment Review Committee member	Number of meetings attended / held	Attendance rate (%)
Gu Zongqin (Chairman)	4/4	100
Lee Kit Ying	4/4	100
Li Hui	3/4 (note)	75
Yang Shubo	4/4	100
Zhu Lei	4/4	100
Yang Yexin	4/4	100

Note: Due to another pre-scheduled business commitment, Mr. Li Hui was not able to attend one on-site meeting of the Investment Review Committee and appointed Mr. Gu Zongqin to attend on his behalf.

4 Supervisory Committee

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

- To review the financial matters of the Company;
- To supervise the behaviours of Directors and senior management in discharging their duties and propose to remove those who have violated the laws, administrative regulations and the Articles;
- To demand a Directors, president and other senior management to rectify any improper behaviour that would be detrimental to the interests of the Company;
- To verify financial information, such as financial reports, business reports and profit distribution proposals to be submitted by the Board to the general meeting, and to appoint certified public accountants or auditors to re-examine the same in the name of the Company in case of doubt;
- To propose the convening of extraordinary general meetings, 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 to the general meeting;
- To initiate an action against Directors, president and other senior management of the Company in accordance with the Company Law; and
- To exercise other authorities stipulated in the Articles.

The Supervisory Committee currently consists of three members, two of whom are external supervisors (as shareholder's representative supervisor and independent supervisor, respectively) and one of whom is the supervisor representing employees of the Company.

For details of the work performed by the Supervisory Committee, please refer to the Report of the Supervisory Committee on page 49 of this annual report.

5 Senior management

The senior management consists of the Chief Executive Officer, President, Executive Vice President, Chief Financial Officer, Vice President and Board Secretary (Company Secretary). Together with other senior management, 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, and the Articles within the powers delegated by the Board, and exercise the following principal duties and powers:

- To oversee the production, operation and management of the Company and to organise the implementation of the resolutions of the Board;
- To organise and implement the annual operating plans and investment proposals of the Company;
- To draw up plans for the establishment of the Company's internal management structure;
- To draw up basic management regime and formulate basic rules and regulations of the Company;
- To propose the appointment or dismissal of the Executive Vice President, Chief Financial Officer or Vice President of the Company and to appoint or dismiss management staff other than those required to be appointed or dismissed by the Board;
- To sign certificates of securities issued by the Company; and
- To exercise other authorities conferred by the Articles and the Board.

The members of the senior management of the Company implement the development strategies and business management plans formulated by the Board. They have extensive expertise and management experience in the respective fields of which they are put in charge and delegated to and formed a management team which worked closely to ensure the efficient conducting of the day-to-day operation of the Company.

Moreover, the management furnishes the management accounts of the Company (including internal financial statements) to members of the Board every month and provides to members of the Board such background or explanatory information relating to matters to be discussed by the Board, so that the Directors may fully understand the progress of any material events and the latest business updates of the Company.

The Company has set up the Investment Review Committee, the Personnel Committee, the Budget Management Committee and the Science and Technology Committee. Each resolution of these specialised committees is passed by way of a poll, which fully guaranteed a scientific and meticulous decision-making process for the operations and investments of the Company.

The range of the remuneration of members of senior management for the year ended 31 December 2013 are set out in Note 9 to the financial statements.

6 Securities Transactions by Directors and Supervisors

The Company adopts the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the model code for securities transactions by its Directors and Supervisors. After making specific inquiries with the Directors and Supervisors, all Directors and Supervisors have confirmed that during the accounting period covered by this annual report, they have strictly complied with the requirements of the Model Code.

The Board will examine the corporate governance and operations of the Company from time to time so as to ensure compliance with the relevant provisions of the Listing Rules and to safeguard shareholders' interests.

7 Chairman and President

Mr. Li Hui acts as the Chairman of the Company and Mr. Yang Yexin acts as the Chief Executive Officer/President of the Company, which is in accordance with A.2.1 of the Corporate Governance Code providing that the roles of Chairman and Chief Executive Officer should be separated and not be held by the same individual. 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.

8 Company Secretary

Our Company Secretary, Mr. Quan Changsheng ("Mr. Quan"), is also the Chief Financial Officer/Vice President of the Company who is familiar with the day-to-day affairs of the Company. All Directors of the Company are entitled to the advice and services of Mr. Quan to ensure their compliance with Board procedures and all applicable laws, rules and regulations.

Upon enquiry by the Board, Mr. Quan has confirmed his compliance with all requirements stipulated in the Listing Rules in relation to qualifications, experience and training.

9 Communications with investors

The Board recognises the importance of good and effective communication with shareholders as a whole. In addition to the publication of information, announcements and circulars, the Company has also created a section titled "Investors Relations" on its website www.chinabluechem.com.cn where shareholders may access relevant information.

Pursuant to the provisions and requirements of the regulatory authorities, the Company is proactive in maintaining a good relationship with investors and making proper information disclosure, as well as maintaining continuous communication with shareholders, which includes, specifically, annual results presentation roadshows, participation in investors' forum organized by investment banks, invitation of investors/analysts to visit our sites, as well as interviews or teleconferences with investors.

Article 12 of the Articles were amended during the reporting period mainly to align the scope of business of the Company as specified in the Articles in accordance with the Company's actual business conditions and in line with the regulatory requirements currently in force. The latest full version of the Company's Articles has been published on the websites of the Stock Exchange and the Company respectively.

10 Internal control

Pursuant to the requirements of the Corporate Governance Code under the Listing Rules, the Board is responsible for ensuring that the Company's internal monitoring and control mechanism operates soundly, stably and effectively, so as to safeguard the investment benefits of shareholders and the assets of the Company. During the reporting period, the Company maintains a good internal control and risk management system which takes into account the practical circumstances of the Company and strictly complies with the relevant requirements of the Listing Rules and the Basic Internal Control Norms for Enterprises.

In 2013, the Company continued to optimise and improve its intra-Group internal control system with a specific focus on the establishment of internal control systems in newly-founded companies and issued and amended 45 documents related to internal control system during the year; the Company paid special attention to systematicity, unification and replicability of the internal control system to ensure that internal control systems could cover and be implemented in all subsidiaries and as at the end of 2013, all subsidiaries have completed their interconnections to the system of the headquarters; the Company has further enhanced risk management platform with an aim to prevent developmental and operational risks.

In 2013, the Audit Committee conducted a comprehensive review of the effectiveness and results of the internal control system of the Company and its subsidiaries, covering important controls over all aspects of financial, operational and compliance control and risk management functions, and reported to the Board in detail. Following the review, the Board has confirmed the effectiveness of the internal control system of the Group.

11 Auditors and fees

Deloitte Touche Tohmatsu Certified Public Accountants and Deloitte Touche Tohmatsu Certified Public Accountants LLP have been appointed as the overseas and domestic auditors of the Company respectively with effect from 31 May 2013 to fill the causal vacancy arising from the resignation of Ernst & Young and Ernst & Young Hua Ming LLP pursuant to the relevant requirements of the *Circular on the Issues Relating to Accounting Firms Undertaking Audit of Final Financial Accounts of Central State-Owned Enterprises* issued by the Ministry of Finance and the State-Owned Assets Supervision and Administration Commission of the PRC in relation to the service term of auditors continuously rendering audit services to the same central state-owned enterprise, and to hold office until the conclusion of the forthcoming annual general meeting. A resolution will be proposed at the forthcoming annual general meeting to re-appoint Deloitte Touche Tohmatsu Certified Public Accountants and Deloitte Touche Tohmatsu Certified Public Accountants LLP as the overseas and domestic auditors of the Company respectively.

Save for the above, there were no other changes of auditor of the Company in the past three years.

The audit fees for 2013 of the Company was RMB3.9 million, which has been approved by the Audit Committee.

During the reporting period, the auditors of the Company have rendered information system related professional service to the Company. The service charge was RMB1.35 million.

The responsibility statement of the Company's external auditor on the consolidated financial statements is set out on page 51 of this annual report.

12 2013 annual review on non-competition agreement

On 7 September 2006, the Company and CNOOC entered into a non-competition 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 pre-emptive right to acquire any competing businesses.

On 26 March 2014, the Company and CNOOC held the 2013 annual review on non-competition.

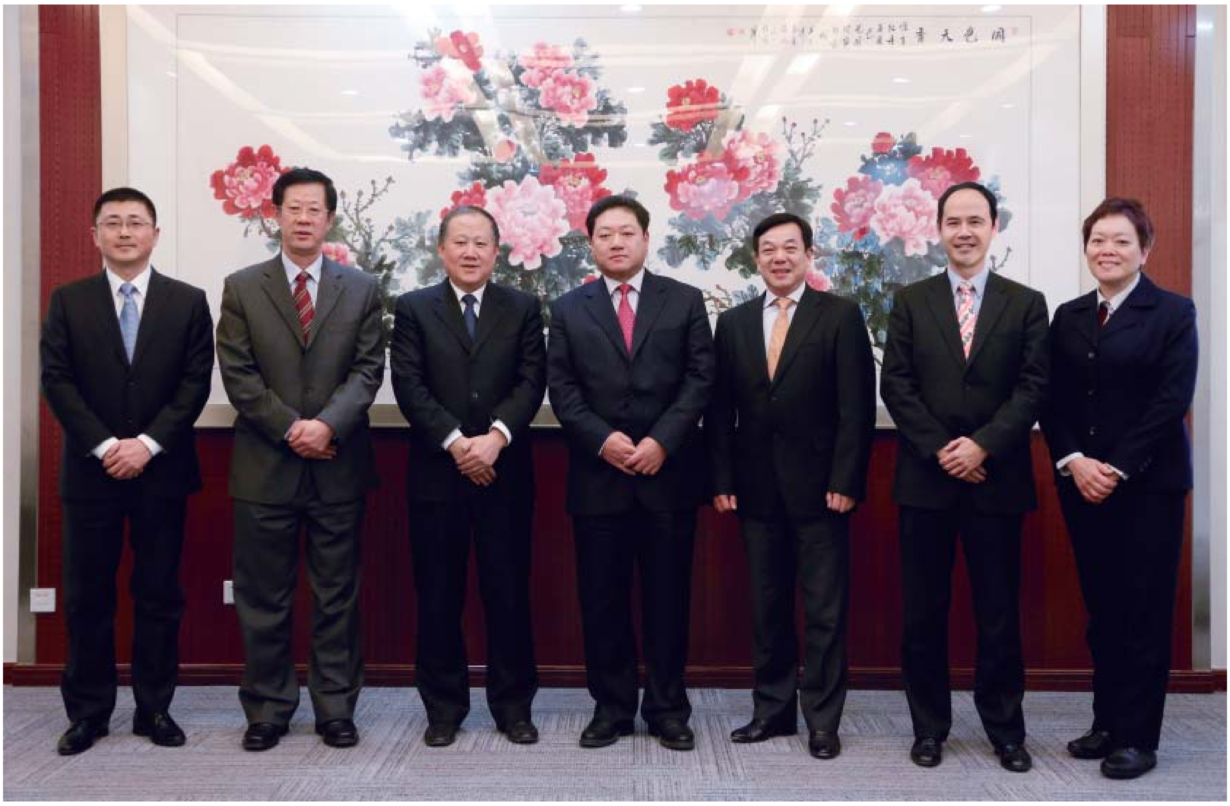
At the meeting, there was a review of the investment opportunities obtained during the reporting period by CNOOC and its subsidiaries (excluding the Group) which compete or are likely to compete with the Group's core businesses.

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 have also reviewed whether CNOOC and its subsidiaries (excluding the Group) have fully complied with the undertakings and they are satisfied that CNOOC and its subsidiaries (excluding the Group) have fully complied with the undertakings.

13 Directors' responsibilities for the financial statements

The Directors acknowledge their responsibilities for the Group's financial statements, and that they should assess the Company's financial position, results, cash flow position and prospects for the period in a balanced, lucid and comprehensive manner based on the financial statements and the timely and appropriate data provided by the management. The Board undertakes that, save as disclosed in this annual report, there is no major event or condition of uncertainty which may significantly affect the Company's ability to continue as a going-concern.

Directors, Supervisors and Senior Management



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Non-executive Directors

1 Mr. **Li Hui**, born in 1963, graduated from the University of International Business and Economics with a bachelor's degree in 1987. He is a senior international business engineer. Mr. Li served successively in a number of positions in China National Metals & Minerals Import & Export Corporation from August 1987 to January 2000, including deputy general manager of its trade unit (五礦貿易有限公司) and president of its South American unit (南美五礦有限公司); deputy general manager of Beijing Economic-Technological Investment & Development Corporation from September 1998 to January 2000; assistant general manager and deputy director of the oil group of China National Chemicals Import & Export Corporation (renamed as Sinochem Group, hereinafter referred to as "Sinochem") from January 2000 to July 2001; vice president of Sinochem, director of its oil center and general manager of Sinochem International Oil Co., Ltd from July 2001 to August 2009; vice president of Sinochem and general manager of Sinochem Petroleum Exploration and Production Co., Ltd. from September 2009 to May 2010. Since May 2010, Mr. Li has been a vice president of China National Offshore Oil Corporation. Mr. Li was appointed as the chairman and a non-executive Director of the Company in July 2011. Mr.Li has wide-ranging experience in the international trade sector and profound understanding in the operation of the international trade and capital markets.

2 Mr. **Yang Shubo**, born in 1956, graduated from the department of Mechanics of East China Petroleum Institute (was renamed as China University of Petroleum) in 1982 with a bachelor's degree majoring in oil field equipment. In June 2000, he obtained a master of business administration degree from Tianjin University. Mr. Yang is a senior engineer (professor grade). Mr. Yang served successively as deputy division head of the production technology department, head of the operations division, head of the quality management division and deputy manager at the platform manufacturing plant of China Offshore Oil Bohai Corporation (中國海洋石油渤海公司平台製造廠) from January 1982 to November 1994; deputy general manager of China Offshore Oil Platform Manufacturing Corporation (中海石油平台製造公司) and, concurrently, general manager of Chiwan Shengbaowang Engineering Company (赤灣勝寶旺工程公司) from November 1994 to May 1999; deputy general manager of China Offshore Oil Ocean Engineering Company (中海石油海洋工程公司) and concurrently managing director of Chiwan Shengbaowang Engineering Company (赤灣勝寶旺工程公司) from May 1999 to September 2001; executive deputy general manager and managing director of Offshore Oil Engineering Co., Ltd. from September 2001 to October 2005; general manager of the CNOOC Engineering and Construction Department and concurrently general manager of the Engineering and Construction Department of CNOOC Limited from October 2005 to February 2007; assistant to general manager for CNOOC's Rainbow Project from February 2007 to December 2007; deputy general

manager of CNOOC Gas & Power Group and concurrently head of its Technology R&D Centre from December 2007 to April 2009; and deputy general manager of CNOOC Refinery & Petrochemicals and Sales Division from April 2009 to December 2011; general manager of CNOOC Refinery & Petrochemicals and Sales Department from December 2011 to February 2014. Mr. Yang was appointed as non-executive director of the Company in June 2012; general manager of the CNOOC Engineering and Construction Department and concurrently general manager of the Engineering and Construction Department of CNOOC Limited since February 2014.

3 Mr. **Zhu Lei**, born in 1969, graduated from the department of Petroleum Construction Engineering of Southwest Petroleum University in 1991 with a bachelor's degree majoring in oil storage and transportation. He is a senior engineer. He was a specialist in quality control at China Offshore Oil Platform Manufacturing Company (中海石油平台製造公司) from September 1991 to October 1995; equipment management personnel with the CNOOC Operations Department and Planning Department, respectively, from October 1995 to May 2003; head of the Planning and Statistics Office of the CNOOC Planning Department from May 2003 to January 2009; and deputy general manager of the CNOOC Planning Department from January 2009 to December 2011. Since January 2012 he has been deputy general manager of the CNOOC Strategy and Planning Department and deputy general manager of the Strategy and Planning Department of CNOOC China Limited. He was appointed as a non-executive Director of the Company in June 2012.

Executive Directors

4 Mr. **Yang Yexin**, born in 1956, graduated from Wuhan Transportation University in 1978 majoring in vessel engineering. He obtained a master's degree in management engineering from China University of Petroleum (Beijing) in 2004 and is a senior engineer (professor grade). From August 1978 to December 1991, he served successively as mechanical engineer and deputy head of the mechanics division of China Offshore Oil Southern Drilling Company of CNOOC Nanhai West Corporation. He served as deputy general manager of CNOOC Nanhai West CPEC (Shekou) Company from January 1992 to January 1993; chief engineering officer of equipment division of CNOOC Nanhai West Corporation from January 1993 to January 1994; deputy general manager of China Offshore Oil Southern Drilling Company from January 1994 to April 1999; general manager of China Offshore Oil Southern Shipping Company from April 1999 to October 2001; general manager of CNOOC Shipping Company Co., Ltd from October 2001 to August 2002; director and executive vice president of China Oilfield Services Limited from August 2002 to September 2003; chairman/executive director of CNOOC Fudao Co., Ltd. (now known as CNOOC Fudao Limited) in August 2003; director and general manager of China BlueChemical Limited from September 2003 to April 2006; the Chairman of CNOOC Kingboard Chemical Limited since October 2003; executive director, CEO and president of the Company since April 2006; chairman of CBC (Canada) Holding Corp. since May 2013 and director of Western Potash Corp. (a company listed on the Main Board of Toronto Stock Exchange) since June 2013.

Independent non-executive Directors

5 Mr. **Gu Zongqin**, born in 1955, graduated from Nanjing Chemical Engineering Institute in 1982 majoring in Inorganic Chemical Engineering with a bachelor's degree. He obtained his qualification as a senior engineer (professor grade). He worked in the Chemical Fertilizer Division of the Planning Institute of the Ministry of Chemical Industry from February 1982 to June 1991 and served as deputy director of the Chemical Fertilizer Division between July 1991 and June 1993. From July 1993 to October 1994, Mr. Gu was assistant to the president of the Planning Institute of Ministry of Chemical Industry and from November 1994 to January 2000, he served as vice president of the Planning Institute of Ministry of Chemical Industry. He was appointed as president and Chinese Communist Party ("CCP") Committee secretary of the China National Petroleum and Chemical Planning Institute in February 2000; deputy president of China Petroleum and Chemical Industry Federation in April 2006. He was appointed as independent non-executive Director of the Company in June 2010. Currently, Mr. Gu is an independent non-executive director of Shaanxi Xinghua Chemical Co., Ltd. (陝西興化化學股份有限公司) (a company listed on Shenzhen Stock Exchange), Guizhou Chitianhua Co., Ltd. (貴州赤天化股份有限公司) (a company listed on Shanghai Stock Exchange) and Yangmei Chemical Co., Ltd.

6 Ms. **Lee Kit Ying**, born in 1948, obtained a bachelor's degree from City of London Polytechnic, U.K. (now known as London Metropolitan University) in1979 majoring in accountancy and a master's degree from City University of Hong Kong in 1998 majoring in Financial Engineering. Ms. Lee is a fellow of the Institute of Chartered Accountants in England and Wales. She previously held a number of senior positions in Hong Kong Futures Exchange, the Stock Exchange and Hong Kong Exchanges and Clearing Limited. Ms. Lee has over 20 years' experience in derivative products and the operation, supervision and risk management of securities markets. Currently she is chairman of Virtus Foundation Limited. She was appointed as an independent executive Director of the Company in June 2012. Currently Ms. Lee is also an independent non-executive director of Tianjin Capital Environmental Protection Group Company Limited (a company listed on the Main Board of the Stock Exchange and Shanghai Stock Exchange).

7 Mr. **Lee Kwan Hung**, born in 1965, received his Law (LL.B (Honours)) degree and Postgraduate Certificate in Laws from the University of Hong Kong in 1988 and 1989 respectively. He was then admitted as a solicitor in Hong Kong in 1991 and the United Kingdom in 1997 and is a practicing lawyer. Mr Lee was a senior manager of the Listing Division of The Stock Exchange between December 1992 and March 1994; a partner of Philip KH Wong, Kennedy YH Wong Co. between April 1994 and March 2000; a partner and Beijing office chief representative in Woo Kwan Lee & Lo between April 2000 and February 2011; a counsel in Cheung & Choy solicitor & notaries from November 2011. Mr. Lee was appointed as an independent non-executive Director of the Company in June 2012. Mr. Lee currently holds the position of independent non-executive director respectively at Yuexiu REIT Asset Management Limited, Embry Holdings Limited, NetDragon Websoft Inc., Asia Cassava Resources Holdings Limited, Futong Technology Development Holdings Limited, Walker Group Holdings Limited, Newton Resources Ltd, Tenfu (Cayman) Holdings Company Limited, Far East Holdings International Limited and Landsea Green Properties Co., Ltd. (previously known as Shenzhen High- Tech Holdings Limited), the shares of all of which are listed on the Stock Exchange.

Supervisors

8 Mr. **Wang Mingyang**, born in 1956, graduated in 1978 from Shanghai Textile Institute of Science and Technology (now known as Donghua University) majoring in textile machinery. He is a senior engineer. He acted as a sales representative and division head of China National Technical Import & Export Corporation from August 1978 to February 1988. He served as a deputy representative of the British representative office of China National Technical Import & Export Corporation from March 1988 to June 1991; deputy director and director of Advertising, Exhibition and Promotion Department of China National Technical Import & Export Corporation from July 1991 to February 1993; general manager of CNTIC Investment Corporation from March 1993 to May 1994; general manager of Corporate Management Department of China National Technical Import & Export Corporation from June 1994 to August 1995; general manager of CNTIC Euro-Asia Import & Export Co., Ltd. of China National Technical Import & Export Corporation from September 1995 to March 1997; and executive deputy general manager of CNTIC Trading Co., Ltd. of China National Technical Import & Export Corporation from April 1997 to May 2000. He was assistant to the president of China National Chemical Construction Corporation from June 2000 to August 2002; deputy general manager of China National Chemical Construction Corporation from September 2002 to March 2008, and vice president of Offshore Oil Engineering Co., Ltd. from April 2008 to March 2013. He was appointed as a supervisor and chairman of the Supervisory Committee of the Company in May 2013. He is also chairman of supervisory committee of CNOOC New Energy Investment Co., Ltd., China United Coalbed Methane Corporation Limited and CNOOC Ningbo Daxie Petrochemical Ltd.

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9 Mr. **Huang Jinggui**, born in 1963, graduated from Wuhan University with a bachelor's degree in economics in 1986 and obtained a doctorate degree in economics from the University of Moscow in 1994. He is a professor at Hainan University and a specialist entitled to the State Council's special allowance. Mr. Huang was a lecturer at Wuhan University from July 1988 to September 1989. He pursued a doctorate degree in economics at the University of Moscow from September 1989 to July 1997. He was the deputy dean of the School of Economics of Hainan University from July 1994 to September 1999. He was a senior visiting scholar at the Russian State University of Management from September 1999 to July 2000. He was the dean of the School of Economics and Management and head of the Master of Business Administration Education Centre of Hainan University from September 2000 to March 2008. He was appointed as an independent Supervisor of the Company in April 2006 and has been the dean of Hainan College of Economics and Business since April 2008.

9

10 Ms. **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. Ms. Liu is a senior accountant and 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 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; and deputy general manager of the Treasury Management Department of the Company from September 2009 to August 2012. She is the general manager of the Audit & Supervising Department of the Company from September 2012 and was elected as a Supervisor of the Company through the general meeting of the employees' representatives of the Company.

10

Senior management

⑪

⑪Mr. **Fang Yong**, born in 1960, graduated from Shandong TV University in 1984 majoring in electronics. In 1998, Mr. Fang graduated from the Chinese Academy of Social Sciences majoring in international trade. He obtained an EMBA degree at Raj Soin College of Business of the Ohio State University in the USA in May 2006 and he is a senior economist. He worked at Shandong Shengli Institute of Oilfield Geology from November 1976 to September 1984; worked at Institute of Henan Zhongyuan Oilfield from September 1984 to September 1988; and head of the contract management division of the ethylene management office of Henan Zhongyuan Oilfield from September 1988 to December 1992. From December 1992 to April 2001, he served successively as head of foreign affairs, assistant to general manager and manager of the sales office of Hainan Fudao Chemical Industry Corporation and deputy general manager of CNOOC Chemical Limited from April 2001 to April 2006. He was the president of CNOOC Fudao Co., Ltd. (now known as CNOOC Fudao Limited) from April 2001 to March 2010. He was a director of CNOOC Chemical Limited from November 2003 to April 2006. In April 2006, he was appointed as an executive vice president of the Company and served as executive Director of the Company till June 2012. He was appointed as an executive director of China BlueChemical (Hong Kong) Ltd. in October 2013.

⑫

⑫Mr. **Chen Kai**, born in 1957, graduated from the department of philosophy of Sun Yat-sen University in 1982 with a bachelor's degree majoring in philosophy. He obtained his qualification as a lecturer. From February 1982 to October 2001, he had served as deputy director of the cultural centre, head of the promotions division, secretary of the organization department, office director, and CCP Committee secretary of CNOOC Nanhai West Corporation as well as CCP Committee secretary and secretary of the disciplinary committee of CNOOC Shipping Limited from October 2001 to August 2002. He was a vice president of China Oilfield Services Limited from August 2002 to October 2005; and general manager of *Inner Mongolia Tianye* Chemicals Ltd. (now known as CNOOC Tianye Chemical Limited) from July 2004 to January 2009. Mr. Chen was a deputy general manager of CNOOC Chemical Limited from October 2005 to April 2006 and chairman of CNOOC Tianye Chemical Limited (now known as CNOOC Tianye Chemical Limited) in February 2006. He has been an executive vice president of the Company since April 2006. Mr. Chen was an executive director of the Company from April 2006 to June 2012.

⑬

⑬Ms. **Zhou Fan**, born in 1962, graduated from Guangdong Ocean University with a bachelor's degree majoring in shipping power in 1983; and graduated from the China University of Petroleum (Beijing) majoring in management and engineering with a master degree in 2005. She is a senior political cadre. She worked at CNOOC Nanhai West Corporation from August 1983 to May 1989 and had served as officer at the human resources department, deputy head of the organization department and deputy secretary and secretary of the education department of the Communist Youth League Committee. She served as deputy secretary and secretary of Communist Youth League Committee of CNOOC Nanhai West Corporation from May 1989 to May 1998; secretary and deputy general manager of CNOOC Nanhai West Corporation property company from May 1998 to May 1999; deputy secretary of CCP Committee, secretary of the disciplinary committee and chairman of labour union of Zhanjiang Branch of CNOOC from May 1999 to September 2002; deputy secretary and secretary of CCP Committee of CNOOC Nanhai West Corporation from September 2002 to November 2004; deputy general manager of CNOOC Base Group Ltd. and CCP Committee secretary and secretary of disciplinary committee of CNOOC Nanhai West Corporation from November 2004 to August 2007. She was appointed as an executive vice president of the Company in August 2007.

⑭Mr. **Quan Changsheng**, born in 1966, graduated from East China Petroleum Institute (now known as "China University of Petroleum") in 1986 majoring in business management with a bachelor degree. He is an accountant. From July 1986 to June 1999, he served as accountant, senior accountant, budgetary reporting supervisor and head of accounting at various divisions of CNOOC Nanhai East Corporation, manager of the finance department of the CNOOC QHD32-6 Operating Company from June 1999 to September 2002; and manager of the finance department of the Tianjin branch of CNOOC Limited from September 2002 to March 2006. Mr. Quan was chief financial officer of the Company in April 2006 and vice president of the Company in May 2006. In July 2007, he was appointed as Board secretary and Company Secretary. Mr. Quan was also a director of CNOOC Tianye Chemical Limited (now known as CNOOC Tianye Chemical Limited) in December 2007. He was appointed as chairman of Shanxi Hualu Coal Chemical Ltd. in August 2009.

⑭

⑮Mr. **Miao Qian**, born in 1963, graduated from Fuzhou University majoring in civil construction in 1983 and obtained a master's degree in business management from China University of Petroleum (Beijing) in 2007. He is a senior engineer. From August 1983 to May 2002, he had served as deputy head of the engineering management division of CNOOC Nanhai West Corporation, head of the engineering management division of CNOOC Nanhai West Real Estate Company and manager of CNOOC Nanhai West Jianyuan Company. From May 2002 to October 2005, he served as assistant to the general manager of the CNOOC Chemical Limited, manager of the methanol project cost control department as well as deputy general manager and general manager of the methanol project department. From October 2005 to April 2006, he was appointed as a deputy general manager of the CNOOC Chemical Limited. He was appointed as vice president of the Company in April 2006. In September 2010, he was appointed as chairman/executive director of Hegang Huahe Coal Chemical Ltd. (was subsequently changed to CNOOC Huahe Coal Chemical Co., Ltd.).

⑮

⑯Mr. **Wang Weimin**, born in 1965, graduated from the department of chemical engineering of Hebei Institute of Technology in 1989 majoring in organic chemistry with a bachelor's degree. He obtained an MBA degree from the School of Management of Tianjin University in March 2001, an EMBA degree from China Europe International Business School in July 2001 and he is a senior engineer (professor grade). He was a technician at Qinhuangdao Sino-Arab Chemical Fertilizer Corp. (秦皇島中阿化肥配套總公司) from July 1989 to January 1990 and served successively as shift leader of process workshop, section leader of finished product workshop and head of finished product workshop of Sino-Arab Chemical Fertilizers Co. Ltd. (hereinafter referred to as SACF) from January 1990 to June 1994; assistant to general manager of SAFC from June 1994 to December 1995; production plant manager of SAFC from December 1995 to June 1998; deputy general manager and CCP Committee member of SACF from June 1998 to August 2005; deputy general manager of SAFC; leader of the on-site initiation team of the mineral-fertiliser integration project at Dayukou, Hubei from November 2002 to August 2005; general manager of Hubei Dayukou Chemical Co., Ltd. from August 2005 to July 2012; president assistant of the Company from July 2008 to July 2012. He was appointed as a vice president of the Company in August 2012. He has been chairman of Hubei Dayukou Chemical Co., Ltd. since November 2012.

⑯

⑰Mr. **Zhou Renlin**, born in 1962, graduated from Nanjing Maritime School in 1983 majoring in ship navigation. He graduated from Jianghan Petroleum University in June 2002 majoring in business administration with a bachelor's degree and obtained his qualification as a chief officer. He served successively as crewman, helmsman, captain and deputy manager of business department of China Offshore Oil Southern Shipping Company from September 1983 to April 2000; manager of the Marine Technology Services Company of China Offshore Oil Southern Shipping Company from April 2000 to November 2001; deputy manager of the Crew Services Company of CNOOC Shipping Company Limited from November 2001 to October 2002; deputy general manager of Zhanjiang Branch of China Oilfield Services Limited from October 2002 to September 2004; general manager of the terminal project team of CNOOC Chemical Limited from September 2004 to May 2006; general manager of Hainan Basuo Port Limited from May 2006 to April 2010; assistant to president of the Company from March 2007 to July 2012; and executive deputy general manager of CNOOC Fudao Limited from April 2010 to July 2012; chairman of Hainan Basuo Port Limited since May 2010. He was appointed as a vice president of the Company in August 2012; a director and the Chief Executive Officer of CBC (Canada) Holding Corp in May 2013.

⑰

Report of Directors

The Directors of the Company are pleased to present the report of directors and the audited financial statements for the year ended 31 December 2013.

Principal activities

The Company and its subsidiaries (the "Group") and associates are principally engaged in the manufacture and sale of fertilisers (mainly urea and phosphate fertilisers) and chemical products (mainly methanol and POM) during the prior years.

Results

Profit of the Group for the year ended 31 December 2013 and the financial position of the Company and the Group as at that date are set out on pages 52 to 60 of the financial statements.

Dividends

The Board recommended the payment of a final dividend of RMB0.14 per share (tax inclusive) for 2013, aggregating RMB645.4 million. The proposed final dividend for 2013 is subject to shareholders' approval at the forthcoming annual general meeting (the "AGM").

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.

Subsidiaries

Particulars of the major subsidiaries of the Company as at 31 December 2013 are set out in Note 19 to the financial statements.

Summary of financial information

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on page 1 of this report. This summary does not form an integral part of the audited 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 15 to the financial statements.

Share capital

As at 31 December 2013, 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, 25,000,122 shares were unlisted foreign Shares, and the remaining 1,771,000,000 shares were H shares, accounting for approximately 61.04%, 0.54% and 38.42% respectively of the total issued share capital.

Details of the share capital structure of the Company as at 31 December 2013 are set out in Note 30 to the financial statements.

Pre-emptive rights

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

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 2013.

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 2013, the reserves available for distribution of the Company was RMB6,030.7 million.

Charitable donations

During the year, the Group made charitable donations of RMB4.68 million in total.

Major customers and suppliers

During the reporting period, sales to the Group's five largest customers accounted for 17% of the total sales for the year and sales to the largest customer included therein amounted to 4% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for 53% of the total purchases for the year and purchases from the largest supplier accounted for 33% 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 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 five largest customers and five largest suppliers.

Directors and supervisors

The Directors and Supervisors of the Company as at 31 December 2013 were:

Executive Director:	
Yang Yexin	Re-appointed on 5 June 2012
Non-executive Directors:	
Li Hui	Re-appointed on 5 June 2012
Yang Shubo	Appointed on 5 June 2012
Zhu Lei	Appointed on 5 June 2012
Independent Non-executive Directors:	
Gu Zongqin	Re-appointed on 5 June 2012
Lee Kit Ying	Appointed on 5 June 2012
Lee Kwan Hung	Appointed on 5 June 2012
Supervisors:	
Wang Mingyang	Appointed on 31 May 2013
Huang Jinggui	Re-appointed on 5 June 2012
Liu Lijie	Elected at a meeting of the employee representatives held on 29 September 2012

Mr. Wang Mingyang was appointed as the shareholder's representative supervisor at the annual general meeting convened on 31 May 2013, and Mr Qiu Kewen resigned as the shareholder's representative supervisor with effect from the approval of the appointment of Mr. Wang Mingyang as the shareholder's representative supervisor at the annual general meeting by the shareholders of the Company.

Pursuant to the Articles of the Company, all Directors and Supervisors are elected for a term of three years 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 of the Company 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 promptly, 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.

Biographies of directors, supervisors and senior management

Biographical details of the Directors, Supervisors and senior management of the Company are set out on pages 31 to 35 of this annual report.

Service contracts of directors and supervisors

At the AGM of the Company held on 5 June 2012, a new session of Directors and Supervisors (save for the Supervisor representing the Company's employees) has been elected. Each of the Directors and Supervisors has entered into a service contract with the Company for a term of office of three years from 5 June 2012 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.

A meeting of the employee representatives was convened on 29 September 2012 by the Company in which Ms. Liu Lijie was elected as the Supervisor representing the Company's employees of the third session of the Supervisory Committee of the Company, who has entered into a service contract with the Company and shall hold office until a new Supervisor representing the employees is elected at the meeting of the employee representatives of the Company to be held in the year in which the term of office expires.

An annual general meeting was convened on 31 May 2013 by the Company in which Mr. Wang Mingyang was appointed as the shareholder's representative supervisor, who has entered into a service contract with the Company and shall hold office until the approval of an appointment of a new shareholder's representative supervisor at the 2014 annual general meeting of the Company by the shareholders.

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 past Directors and Supervisors are set out in Note 9 to the 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, experience, performance and the Group's operating results.

Interests of directors and supervisors in contracts

None of the Directors and Supervisors had a material interest, either directly or indirectly, in any material contract 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 2013 or subsisted at any time during the year.

H-share appreciation rights scheme

Pursuant to the announcement dated 9 January 2008 of the Company and the circular to shareholders dated 11 January 2008, the H-Share Appreciation Rights Scheme (the "Scheme") was approved by the State-owned Assets Supervision and Administration Commission of the State Council ("SASAC") on 3 December 2007, and considered and passed by the extraordinary general meeting of the Company held on 25 February 2008, which came into effect on 25 February 2008.

According to the Scheme, share appreciation rights will be granted to the Directors (excluding Independent Nonexecutive Directors) and senior management of the Company.

The purpose of the Scheme is to provide long-term incentives to the senior management of the Company and to promote the success of the business of the Group. The term of the Scheme will be six years (commencing upon shareholders' approval of the Scheme, i.e. 25 February 2008). Under the Scheme, the share appreciation rights are not transferable, nor are there any voting rights attached. The operation of the Scheme does not involve any issue of new shares of the Company, and the exercise of any share appreciation rights will not create any dilution effect on the Company's equity structure. Upon exercise of the share appreciation rights, a grantee will only be entitled to receive cash payments for the appreciation. The Scheme is not a scheme involving the grant of options over new securities of the Company.

Under the Scheme, the grantees are not permitted to exercise their share appreciation rights in the two years following the shareholders' approval of the Scheme, and they are not allowed to exercise their share appreciation rights by more than 25% each year in the following four years. In each of the four years where grantees may exercise their rights, he or she is entitled to exercise the same only once during the relevant exercise period. In other words, the 25% cap is an annual cap during the relevant years to the extent that the share appreciation rights may be exercised under the Scheme. Any share appreciation rights not exercised by the end of the sixth year of the exercise period will lapse. Cash payments as a result of the exercise of the share appreciation rights shall be deposited into a personal account of the relevant grantee. In any event the total annual payment under the Scheme pursuant to each exercise of the share appreciation rights shall not be more than 50% of the total annual remuneration of the relevant grantee as at the time of the grant of those rights.

Under the Scheme, exercise price is based on the average closing price for the Company's H Shares on the Stock Exchange for the period commencing 30 days after announcement of the Company's results for the financial year prior to the immediate preceding financial year, until the end of the immediate preceding financial year of the Company.

Pursuant to the Scheme, the Scheme is subject to the fulfilment of certain conditions precedent relating to the performance of the Company and the grantees, including, among others: (i) the audited average return on equity of the Company is not less than 14% for the financial years of 2007 and 2008; (ii) the average year-on-year increase in audited net profit of the Company being not less than 10% for the financial years of 2007 and 2008; and (iii) the satisfactory appraisal of the performance of each grantee.

The Board has completed the above assessments under the Scheme and is of the view that:

(1) the audited average return on equity and the average year-on-year increase in audited net profit of the Company for the financial years 2007 and 2008 have met the specified requirements; and

(2) the performance of each grantee for the financial years 2007 and 2008 was satisfactory.

In accordance with the Management Rules and Procedures of the H-Share Appreciation Rights Scheme, the above assessment results have been approved by the extraordinary general meeting held on 7 February 2010. Any exercise of the rights granted under the Scheme is also subject to the Company's audited return on equity for the financial year immediately prior to the proposed exercise being not lower than the average or median of the return on equity for the same industry.

As at 31 December 2013, the following Directors, Supervisors and senior management were granted the following share appreciation rights:

Names of directors and senior management	Capacity	Number of share appreciation rights granted (shares)	Approximate percentage of the relevant class of shares in issue (%)	Approximate percentage of total issued shares of the Company (%)
Yang Yexin	Executive Director, Chief Executive Officer and President	891,000	0.05	0.02
Fang Yong	Executive Vice President	681,000	0.04	0.01
Chen Kai	Executive Vice President	681,000	0.04	0.01
Zhou Fan	Executive Vice President	454,000	0.03	0.01
Quan Changsheng	Chief Financial Officer, Vice President and Board Secretary	616,000	0.03	0.01
Miao Qian	Vice President	616,000	0.03	0.01

Note:

(1) Mr. Wu Mengfei resigned as the Chairman and a Non-executive Director of the Company on 29 July 2011. During his term he was granted 1,053,000 H-Share Appreciation Rights.

(2) Effective from 23 February 2012, Mr. Liang Mingchu ceased to be the Vice President of the Company. During his term he was granted 616,000 H-Share Appreciation Rights.

Interests and short positions of directors, supervisors and chief executive in shares, underlying shares and debentures

Pursuant to the H-Share Appreciation Rights Scheme mentioned above, as at 31 December 2013, the share appreciation rights granted by the Company to the Directors, Supervisors and chief executive of the Company were as follows:

Names of directors	Capacity	Number of share appreciation rights granted (shares)	Class of Shares	Approximate percentage of the relevant class of shares in issue (%)	Approximate percentage of total issued shares of the Company (%)
Yang Yexin	Beneficial owner	891,000(L)(Note 1)	H Shares	0.05(L)	0.02(L)

Notes: The letter (L) denotes long position.

(1) These shares represent interests in share appreciation rights of the Company, of which 222,750 share appreciation rights are exercisable in each of the following four periods: (i) 25 February 2010 to 30 June 2010; (ii) 1 January 2011 to 30 June 2011; (iii) 1 January 2012 to 30 June 2012; and (iv) 1 January 2013 to 25 February 2013.

Save as disclosed above, as at 31 December 2013, to the best knowledge of the Directors and chief executives of the Company, none of the Directors, Supervisors, chief executives and 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 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 to 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 Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in the Listing Rules.

Interests of substantial shareholders

As at 31 December 2013, to the best knowledge of any of the Directors and chief executives of the Company, pursuant to the register of substantial shareholders required to be 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 the relevant calss of shares in issue (%)	Approximate percentage of total shares in issue (%)
China National Offshore Oil Corporation (Note 1)	Beneficial owner	2,738,999,512 (L)	Domestic Shares	97.33(L)	59.41(L)
Commonwealth Bank of Australia	Interests in controlled corporation	195,818,000 (L) (Note 2)	H Shares	11.06(L)	4.25(L)
Blackrock, Inc.	Interests in controlled corporation	125,113,957 (L) 13,890,000 (S) (Note 3)	H Shares	7.06(L) 0.78(S)	2.71(L) 0.30(S)
GIC Private Limited	Investment manager	105,246,171 (L)	H Shares	5.94(L)	2.28(L)
JP Morgan Chase&Co.	Beneficial owner; Investment manager; custodian/approved lending agent	97,114,132 (L) 93,590,056 (P) (Note 4)	H Shares	5.48(L) 5.28(P)	2.11(L) 2.03(P)
The Bank of New York Mellon Corporation	Investment manager; custodian/approved lending agent	96,133,257 (L) 92,042,377 (P) (Note 5)	H Shares	5.43(L) 5.20(P)	2.09(L) 2.00(P)
Mondrian Investment Partners Limited	Investment manager	89,810,000 (L)	H Shares	5.07(L)	1.95(L)

Notes: The letter (L) denotes long position, the letter (S) denotes short position, and the letter (P) denotes lending pool.

(1) Mr. Li Hui, the Chairman and Non-executive Director of the Company, is also the deputy general manager of CNOOC.

(2) These Shares are held directly by a number of controlled corporations of Commonwealth Bank of Australia, which are Colonial Holding Company Ltd, Commonwealth Insurance Holdings Ltd, Colonial First State Group Ltd, First State Investment Managers (Asia) Ltd, First State Investments (UK Holdings) Ltd, First State Investments (Hong Kong) Ltd, SI Holdings Limited and First State Investment Management (UK) Limited.

(3) These Shares are held directly by a number of controlled corporations of Blackrock, Inc., which are Trident Merger, LLC, BlackRock Investment Management, LLC., BlackRock Holdco 2 Inc., BlackRock Financial Management, Inc., BlackRock Holdco 4 LLC, BlackRock Holdco 6 LLC, BlackRock Delaware Holdings, Inc., BlackRock Institutional Trust Company, N.A., BlackRock Fund Advisors, BlackRock Advisors Holdings Inc., BlackRock Capital Holdings, Inc., BlackRock Advisors, LLC., BlackRock International Holdings Inc., BR Jersey International LP, BlackRock (Channel Islands) Ltd, BlackRock Cayco Ltd., BlackRock Trident Holding Company Limited, BlackRock Japan Holdings GK, BlackRock Japan Co Ltd, BlackRock (Institutional) Canada Ltd, BlackRock Holdings Canada Limited, BlackRock Asset Management Canada Limited, BlackRock Australia Holdco Pty Ltd, BlackRock Investment Management (Australia) Limited, BlackRock HK Holdco Limited, BlackRock Asset Management North Asia Limited, BlackRock Group Limited, BlackRock (Netherlands) B.V., Blackrock Advisors (UK) Limited, BlackRock International Limited, BlackRock Luxembourg Holdco S.a.r.l., BlackRock Investment Management Ireland Holdings Ltd, BlackRock Asset Management Ireland Limited, BlackRock (Luxembourg) S.A., BlackRock Investment Management (UK) Ltd and BlackRock Fund Managers Ltd.

(4) These Shares are held directly by a number of controlled corporations of JPMorgan Chase & Co., which are Morgan Clearing Corp, J.P. Morgan Investment Management Inc., J.P. Morgan Whitefriars Inc., J.P. Morgan Securities plc, JPMorgan Chase Bank, N.A., JPMorgan Asset Management (UK) Limited, J.P. Morgan Capital Financing Limited, Bank One International Holdings Corporation, J.P. Morgan International Inc., J.P. Morgan Chase International Holdings, J.P. Morgan Securities LLC, J.P. Morgan Broker- Dealer Holdings Inc, J.P. Morgan Capital Holdings Limited, JPMorgan Asset Management Holdings Inc, J.P. Morgan Chase (UK) Holdings Limited, JPMorgan Asset Management Holdings (UK) Limited, J.P. Morgan Overseas Capital Corporation, JPMorgan Asset Management International Limited, JPMorgan Chase Bank, N.A. and J.P. Morgan International Finance Limited.

(5) These shares are held directly by a controlled corporation of The Bank of New York Mellon Corporation, which is The Bank of New York Mellon.

Save as disclosed above, to the best knowledge of any of the Directors and chief executives of the Company, as at 31 December 2013, no person (other than a Director, Supervisor 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 were entered into or subsisted during the year.

Connected transactions

Continuing connected transactions

Details of the continuing connected transactions which required reporting and annual review in 2013 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.11 of the Listing Rules.

China Oilfield Services Limited ("COSL") is a subsidiary of CNOOC and, therefore, an associate of CNOOC pursuant to Rule 19A.04 of the Listing Rules, and also a connected person of the Company pursuant to Rule 14A.11(4) of the Listing Rules.

CNOOC Limited is a subsidiary of CNOOC and 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 19A.04 of the Listing Rules and, therefore, connected persons of the Company pursuant to Rule 14A.11(4) of the Listing Rules.

CNOOC Finance is a subsidiary of CNOOC and, therefore, an associate of CNOOC pursuant to Rule 19A.04 of the Listing Rules, and also a connected person of the Company pursuant to Rule 14A.11(4) of the Listing Rules.

CNOOC Gas & Power Group ("CNOOC Gas & Power") is a wholly-owned subsidiary of CNOOC and CNOOC Gas Pipelining Limited ("CNOOC Gas Pipeline") is a non-wholly-owned subsidiary of CNOOC Gas & Power. CNOOC Pipelining Fuel & Chemical (Hainan) Limited ("CNOOC Ranhua") is a wholly-owned subsidiary of CNOOC Gas Pipeline. CNOOC Gas & Power, CNOOC Gas Pipeline and CNOOC Ranhua are associates of CNOOC pursuant to Rule 19A.04 of the Listing Rules, and therefore connected persons of the Company pursuant to Rule 14A.11(4) of the Listing Rules.

2 Kingboard Investment Limited ("Hong Kong Kingboard") and its associates

The Company holds 60% of the equity interests in CNOOC Kingboard Chemical Limited ("CNOOC Jiantao") while Hong Kong 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 Hong Kong Kingboard as its substantial shareholder. Pursuant to Rules 1.01 and 14A.11(1) of the Listing Rules, Hong Kong Kingboard and its associates (including the parent company of Hong Kong Kingboard, i.e., the Kingboard Chemical Group) are also connected persons of the Company.

3 Zhejiang AMP Incorporation ("Zhejiang AMP") and its associates

On 11 July 2010, CNOOC Fudao Limited ("CNOOC Fudao"), a wholly-owned subsidiary of the Company, entered into a purchase agreement with Zheijiang AMP, under which CNOOC Fudao agreed to purchase and Zheijiang AMP agreed to sell the 21% equity interests in Guangxi Fudao Agricultural Means of Production Limited ("Guangxi Fudao AMP"). Upon completion of the acquisition, the equity interests of Guangxi Fudao AMP are held as to 51% by CNOOC Fudao and as to 49% by Zheijiang AMP, as result of which Guangxi Fudao AMP became a non-wholly-owned subsidiary of the Company, while Zheijiang AMP became a substantial shareholder of Guangxi Fudao AMP. Accordingly, Zheijiang AMP is a connected person of the Company pursuant to Rules 1.01 and 14A.11(1) of the Listing Rules.

Continuing connected transactions

1 Properties Leasing Agreement

The Company leases certain properties from CNOOC in its ordinary and usual course of business. The Company entered into a properties leasing agreement on 1 September 2006 with CNOOC (as supplemented by a supplementary agreement dated 5 November 2008) and the agreement expired on 31 December 2011.

On 9 November 2011, the Company re-entered into a properties leasing framework agreement with CNOOC (the "Properties Leasing Agreement") on normal commercial terms, pursuant to which the Group may lease properties and land use rights from CNOOC and its associates ("CNOOC Group").

The term of the Properties Leasing Agreement will commence on 1 January 2012 and expire on 31 December 2014, but may be renewed upon agreement provided that the requirements of the Listing Rules in relation to connected transactions are complied with.

The rent and/or property management fee for each lease should be agreed by the relevant parties by entering into separate agreements, taking into account such factors as the location and the state of the properties, and shall not be higher than the market rent and property management fees of similar properties.

In the financial year 2013, the rents paid by the Group for these properties were RMB28,157,000.

2 COSL Transportation Agreement

The Company needs to utilize sea transportation services provided by COSL for its products in the ordinary and usual course of its business. The Company and COSL entered into a transportation services framework agreement on 1 September 2006 (as supplemented by a first supplemental agreement dated 5 November 2008) and the agreement expired on 31 December 2011).

The Company entered into a second supplemental agreement to the transportation services framework agreement on 9 November 2011 with COSL (together with transportation services framework agreement dated 1 September 2006, the "COSL Transportation Agreement").

Pursuant to this, (i) the terms of the transportation services framework agreement with COSL dated 1 September 2006 remain unchanged, and (ii) the term of the COSL Transportation Agreement has been extended to commence on 1 January 2012 and expire on 31 December 2014 but may be renewed upon agreement provided that the requirements of the Listing Rules in relation to connected transactions are complied with.

The actual aggregate expenses incurred by the Group in relation to the transactions under the COSL Transportation Agreement in the financial year 2013 amounted to RMB136,804,000.

3 Natural Gas Sale and Purchase Agreements

During the year, the Group continued to purchase natural gas pursuant to the three 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:

(1) Dongfang 1-1 Offshore Gasfield Natural Gas Sale and Purchase Agreement between CNOOC China and the Company 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 in the international markets during the preceding quarter. The term of this agreement commenced on 1 October 2003 and will expire on 30 September 2023.

(2) Dongfang 1-1 Offshore Gasfield Natural Gas Sale and Purchase Agreement between CNOOC China and CNOOC Jiantao dated 10 March 2005, under which CNOOC China Limited has committed to supply natural gas to CNOOC Jiantao for CNOOC Jiantao Methanol Plant (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 in the international markets during the preceding month. The term of this agreement is of 20 years commencing on 15 October 2006 provided the earliest time CNOOC China may provide natural gas to CNOOC Jiantao Methanol Plant is 9 May 2006.

(3) the Natural Gas Sale and Purchase Framework Agreement between CNOOC China and the Company dated 1 September 2006, under which CNOOC China has committed to supply natural gas for the Company's future plants. This agreement does not include the transactions conducted under the two preexisting agreements mentioned above. Under this framework agreement, CNOOC China 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 in the international markets) 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 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, CNOOC China and the Company entered into the "Ledong Natural Gasfields Natural Gas Sale and Purchase Agreement" under the Natural Gas Sale and Purchase Framework Agreement dated 1 September 2006, pursuant to which CNOOC China has agreed to supply natural gas to the Company for Hainan Phase II Methanol Plant at benchmark 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 in the international markets during the preceding quarter. The term of the agreement commenced from 26 March 2010 and will expire on the closing date of the delivery period as agreed in the agreement. The target delivery period is 15 years commencing on 1 January 2011 and will expire on 31 December 2025, or the substitute period as determined in accordance with the terms of the agreement.

The four types of crude oil referred to in the Natural Gas Sale and Purchase Agreements are: West Texas Intermediate Crude Oil (西德薩斯中質原油), Tapis Crude Oil (塔皮斯原油), Brent Crude Oil (混合布倫特原油) and Minas Crude Oil (米納斯原油), the reference prices of which are provided by Platts Crude Oil Marketwire.

In 2013, the aggregate expenses of the Group on purchases of natural gas from CNOOC China in 2012 amounted to RMB1,899,936,000.

4 Comprehensive Services and Product Sales Agreement

The Company entered into a comprehensive services and product sales framework agreement with CNOOC on 1 September 2006 (as supplemented by a supplemental agreement dated 5 November 2008) and the agreement expired on 31 December 2011.

On 9 November 2011, the Company re-entered into a comprehensive services and product sales framework agreement with CNOOC (the "Comprehensive Services and Product Sales Agreement"), which was approved by the Shareholders at the extraordinary general meeting held on 30 December 2011, pursuant to which:

(a) the CNOOC Group may provide services and supplies to the Group (such as telecommunication and network services, engineering services, construction services, agency services, equipment leasing and maintenance, project management services, labour services, materials/equipment procurement services, transportation services, technical training services, catering, hospital and vehicle rental);

(b) the Group may provide services and supplies to the CNOOC Group (such as provision of offices and facilities, vehicle rental, logistics management and services, accommodation/ conference services/business services/catering services and transportation); and

(c) the Group may sell products to the CNOOC Group and the CNOOC Group may sell products to the Group.

The term of the Comprehensive Services and Product Sales Agreement will commence on 1 January 2012 and expire on 31 December 2014, 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 Comprehensive Services and Product Sales Agreement will be conducted on normal commercial terms and conditions which shall not be less favourable than those offered to third parties, and priced in accordance with the following pricing principles:

(i) where there is a government-prescribed price (including that prescribed by local governments) or a government guidance price, at the government-prescribed price or the government guidance price;

(ii) where there is neither a government-prescribed price nor a government guidance price, the market price; and

(iii) where neither of the above (i) and (ii) is applicable, the price will be determined based on the cost plus a gross margin of up to 10% on cost (before tax).

The Group may, from time to time when the situation requires, enter into separate agreements which will set out the specific scope of services and products, and the terms and conditions of providing such services and the sale and purchase of such 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 2013 pursuant to the Comprehensive Services and Product Sales Agreement amounted to RMB286,506,000. The annual revenue from services, supplies and sales of products provided by the Group to CNOOC Group amounted to RMB221,438,000.

5 Financial Services Agreement

The Group utilizes from time to time financial services provided by CNOOC Finance and, therefore, entered into a financial services framework agreement with CNOOC Finance on 1 September 2006 (as supplemented by a first supplemental agreement dated 3 November 2008) and the agreement expired on 31 December 2011.

The Company entered into a second supplemental agreement to the financial services framework agreement dated 1 September 2006 with CNOOC Finance on 9 November 2011, (together with the financial services framework agreement dated 1 September 2006, the "Financial Services Agreement") which was approved by shareholders at the extraordinary general meeting held on 30 December 2011. Pursuant to this, (i) the terms of the financial service framework agreement with CNOOC Finance dated 1 September 2006 remain unchanged,(ii) the term of the Financial Service Agreement has been extended to commence on 1 January 2012 and expire on 31 December 2014, but may be renewed upon agreement provided that the requirements of the Listing Rules in relation to connected transaction are complied with.

Pursuant to this, CNOOC Finance will provide to the Group a range of financial services that the Group may require, including the following:

(a) provision of loans to the Group, which do not include entrustment loans referred to in Category (c2);

(b) deposit services;

(c1) bank notes discounting services;

(c2) arrangement of entrustment loans between the Company and its subsidiaries; and

(c3) settlement services which include settlement for transactions between the Company and its subsidiaries and for transactions between the Group and the CNOOC Group.

The fees and charges payable by the Company to CNOOC Finance under the Financial Services Agreement are determined on the following basis:

(a) provision of loans to the Company: the interest rates for such loans are determined in accordance with the standard rates promulgated by the PBOC from time to time, and may be reduced where the relevant laws and regulations allow;

(b) deposit services: the interest rates for such deposits are determined in accordance with the standard rates promulgated by the PBOC from time to time;

(c1) bank notes discounting services: the interest rates for discounting services are determined in accordance with the standard rates promulgated by the PBOC from time to time less discounts set out in the specific agreements; and the interest for bank notes discounting is borne by the relevant parties presenting the notes;

(c2) arrangement of entrustment loans between our Company and our subsidiaries: the annual service fee payable by the Group is set at a rate, such that the aggregate amount of service fee and loan interest together will not exceed the interest for securing a loan of the same term directly from independent commercial banks; and

(c3) settlement services: no service fee is charged.

Under the Financial Services Agreement, the Company shall have a 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 Company, the Company will be able to offset the amount due to the Company from CNOOC Finance against the amounts outstanding from the Company to CNOOC Finance. CNOOC Finance shall not have any offset right. CNOOC Finance and the Company may, from time to time when the situation requires, enter into separate agreements which set out the specific scope of services, terms and conditions of providing such financial services according to the principles laid down by the financial services framework agreement dated 1 September 2006.

In 2013, the maximum daily balance of the Group's deposits placed in CNOOC Finance was RMB599,297,000. Annual expenses of the Group on category (c1), (c2) and (c3) services provided by CNOOC Finance amounted to RMB4,954,000.

6 Natural Gas Sale and Purchase Agreement with CNOOC Ranhua

The Company has been informed by CNOOC Gas Pipelining on 22 March 2012 that pursuant to the reorganisation, Hainan Haikong Fuel & Chemical Co., Ltd. ("Hainan Haikong"), an independent third party, will be absorbed and merged into CNOOC Gas Pipelining and will be deregistered upon completion of the reorganisation. Under the reorganisation, the natural gas business of Hainan Haikong has been assumed by CNOOC Ranhua, a wholly-owned subsidiary of CNOOC Gas Pipelining. Prior to the reorganisation, the Group has been conducting the transactions contemplated under the Natural Gas Sale and Purchase Agreement with Hainan Haikong. In contemplation of the completion of the reorganisation, CNOOC Ranhua, CNOOC Gas Pipelining and Hainan Haikong have requested CNOOC Fudao, and CNOOC Fudao confirmed on 28 March 2012, that the obligations and duties of Hainan Haikong under the Natural Gas Sale and Purchase Agreement would be assumed by CNOOC Ranhua with effect from the same date (known as the "Natural Gas Sale and Purchase Agreement with CNOOC Ranhua" below). Therefore, with effect from 28 March 2012, the transactions will continue to be conducted between CNOOC Fudao and CNOOC Ranhua on a regular and continuing basis, until the expiration of the Natural Gas Sale and Purchase Agreement with CNOOC Ranhua in 2016. Pursuant to Rule 14A.41 of the Listing Rules, the transactions under the Natural Gas Sale and Purchase Agreement with CNOOC Ranhua between the Company and CNOOC Ranhua are subject to the applicable reporting, annual review and disclosure requirements of Chapter 14A of the Listing Rules.

Details of the transactions are set out in the announcement published on 28 March 2012 by the Company.

Pursuant to the Natural Gas Sale and Purchase Agreement with CNOOC Ranhua, CNOOC Ranhua has committed to supply CNOOC Fudao with natural gas as feedstock required for part of the Company's production in Hainan on a take-or-pay basis. Under the take-or-pay arrangement in the Natural Gas Sale and Purchase Agreement with CNOOC Ranhua, CNOOC Ranhua is obliged to supply and CNOOC Fudao is obliged to purchase a minimum quantity of natural gas each year. Under the Natural Gas Sale and Purchase Agreement with CNOOC Ranhua, the prices at which natural gas is supplied to our production facilities in Hainan are determined by the following mechanism:

(a) the prices are subject to upward or downward adjustments on a quarterly basis; and

(b) the applicable quarterly price is determined by reference to the prevailing crude oil price quoted by Platts Crude Oil Marketwire (the crude oil prices are the West Texas Intermediate crude oil price, Dubai crude oil price, Brent blend crude oil price and Minas crude oil price).

In 2013, the expenses incurred by the Group from purchases of natural gas from CNOOC Ranhua under Natural Gas Sale and Purchase Agreement with CNOOC Ranhua were RMB219,435,000.

7 Kingboard Product Sales and Services Agreement

The Company entered into a product sales and related services framework agreement with Hong Kong Kingboard on 22 August 2006 (as supplemented by a first supplemental agreement dated 5 November 2008) and the agreement expired on 31 December 2011.

The Company entered into a second supplemental agreement to the product sales and related services framework agreement with Hong Kong Kingboard on 9 November 2011 (together with the product sales and related services framework agreement dated 22 August 2006, the "Kingboard Product Sales and Services Agreement"), which was approved by the Shareholders at the extraordinary general meeting held on 30 December 2011, pursuant to which (i) the terms of the product sales and related services framework agreement dated 22 August 2006 remain unchanged, and (ii) the term of Kingboard Product Sales and Services Agreement has been extended to commence on 1 January 2012 and expire on 31 December 2014 but may be renewed upon agreement provided that the requirements of the Listing Rules in relation to connected transactions are complied with. Hong Kong Kingboard (and/or its associates) and the Company may, from time to time when the situation requires, enter into separate agreements which 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 product sales and related services framework agreement dated 22 August 2006.

Pursuant to the agreement, the Company agreed to sell products produced by the Group and to provide related services such as transportation services to Hong Kong Kingboard and its associates.

According to the Kingboard Product Sales and Services Agreement, the transactions would be conducted on normal commercial terms and conditions which shall not be less favorable than those offered to third parties and priced in accordance with the following pricing principles.

(i) price prescribed by the PRC government;

(ii) where there is no government-prescribed price but there is a government guidance price, at a price not higher than the guidance price set by the PRC government;

(iii) where there is neither a government-prescribed price nor a government guidance price, the market price; and

(iv) where none of the above is applicable, the price will be agreed between the relevant parties based on the cost plus a margin of up to 15% on cost.

The aggregate revenue of the Group in 2013 from the sales of products and provision of related services to Hong Kong Kingboard and its associates amounted to RMB482,928,000.

8 Connected transactions with Zhejiang AMP

In 2012, the Group continued to enter into transactions in relation to mutual provision of products and services with Zhejiang AMP and its associates under the terms and conditions of the framework agreement with Zhejiang AMP in 2006, the term of which was from 22 August 2006 to 31 December 2008 and was subsequently extended to 31 December 2015 by the parties to the framework agreement. Such transactions were conducted on normal continuing basis in the ordinary and usual course of business of the Group.

For 2013, the total revenue for the provision of products and services to Zhejiang AMP and its associates by the Group amounted to RMB96,200,000; and the total expenses for the acquisition of products and services from Zhejiang AMP and its associates by the Group amounted to RMB10,029,000.

The annual cap and the actual transaction amount of each of the continuing connected transactions in 2013 are set out below:

	Annual cap amount for 2013 (RMB'000)	Actual transaction amounts for 2013 (RMB'000)
A. Continuing connected transactions with CNOOC and its associates		
(1) Leasing of properties and land use rights by the Group from the CNOOC Group under the Properties Leasing Agreement	31,715	28,157
(2) Provision of transportation services by COSL to the Group under the COSL Transportation Agreement	205,800	136,804
(3) Purchases of natural gas by the Group from CNOOC China under the Natural Gas Sale and Purchase Agreements	2,682,960	1,899,936
(4) Comprehensive Services and Product Sales Agreement		
(a) Provision of services, supplies and sales of products by the CNOOC Group to the Group	836,568	286,506
(b) Provision of services, supplies and sales of products by the Group to the CNOOC Group	1,177,654	221,438
(5) Financial Services Agreement		
(b) Deposits placed in CNOOC Finance by the Group (Note 1)	600,000	599,297
(c) Category (c1), (c2) and (c3) services provided by CNOOC Finance to the Group	–	4,954
(6) Purchases of natural gas by CNOOC Fudao from CNOOC Ranhua under the Natural Gas Sale and Purchase Agreement with CNOOC Ranhua	–	219,435
B. Continuing connected transaactions with Hong Kong Kingboard and its associates		
Sales of products and provision of services to Hong Kong Kingboard and/or its associates under the Kingboard Product Sales and Services Agreement	797,889	482,928
C. Continuing connected transactions with Zhejiang AMP and its associates		
(1) Sales of products and provision of services to Zhejiang AMP and its associates by the Group	238,139	96,200
(2) Purchase of products and acceptance of services from Zhejiang AMP and its associates by the Group	115,500	10,029

Note: (1) The actual and annual cap amounts refer to the Company's maximum daily balance during the year.

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

1. the 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 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 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 of the Company;

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.

One-off connected transaction

On 8 November 2013, Hainan Basuo Port Limited ("Basuo Port"), a subsidiary of the Company, entered into an equity transfer agreement with Shanghai Shenxin Real Estate Co., Ltd ("Shanghai Shenxin"), pursuant to which Basuo Port has agreed to purchase, and Shanghai Shenxin has agreed to sell, a 8% equity interest in Hainan CNOOC Transportation Co., Ltd. ("Hainan CNOOC Transportation") with a total consideration of RMB3,106,600.

Before signing the equity transfer agreement, the equity interest of Hainan CNOOC Transportation was owned as to 92% by Basuo Port and as to 8% by Shanghai Shenxin. Following the completion of the acquisition, Hainan CNOOC Transportation became a wholly-owned subsidiary of Basuo Port.

Shanghai Shenxin is a wholly-owned subsidiary of ZhongHai Investment and Management Co., Ltd. ("ZhongHai Investment"), 95% of equity interest in which is owned by the Company's controlling shareholder, CNOOC. As such, Shanghai Shenxin is a connected person of the Company. The Acquisition will constitute a connected transaction for the Company. As the highest applicable percentage ratio exceeds 0.1% but is less than 5%, the acquisition is only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

Details of the connected transaction are set out in the announcement published by the Company on 8 November 2013.

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 2013 and up to the date of this annual report, the Company has maintained a sufficient public float of more than 25% of the Company's total issued share capital as required under the Listing Rules.

Material litigation

As at 31 December 2013, the Company was not involved in any material litigation or arbitration and no material litigation or claims was pending or threatened or made against the Company so far as the Company is aware.

Audit Committee

The 2013 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 2013 audited annual results with the management. There is no disagreement between the Audit Committee and Deloitte Touche Tohmatsu, 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

The Company is committed to high standards of corporate governance to enhance transparency and safeguard shareholders' interests as a whole. During the reporting period, the Company complied with all the code provisions of the Code on Corporate Governance Code.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules, as the ethical codes in respect of the securities transactions of the Directors and Supervisors. After making specific enquiries with all Directors and Supervisors, all Directors and Supervisors confirmed that they have strictly complied with the required standards as set out in the Model Code during the accounting period covered in this annual report.

Auditors

On 31 May 2013, Deloitte Touche Tohmatsu Certified Public Accountants and Deloitte Touche Tohmatsu Certified Public Accountants LLP were appointed as the overseas and domestic auditors of the Company respectively on an annual general meeting of the Company.

The financial statements of the year have been audited by Deloitte Touche Tohmatsu who will retire at the forthcoming AGM, at which a resolution will be proposed by the Company for the reappointment of Deloitte Touche Tohmatsu Certified Public Accountants and Deloitte Touche Tohmatsu Certified Public Accountants LLP as the overseas and the domestic auditors of the Company.

For and on behalf of the Board

Li Hui

Chairman

Shenzhen, the PRC, 27 March 2014

Report of the Supervisory Committee

In 2013, all the members of the Supervisory Committee earnestly performed their supervisory functions in accordance with relevant provisions of the Company Law, the Articles, the Rules of Meetings of the Supervisory Committee and the Listing Rules. The Supervisory Committee inspected Company's operations on a regular basis to ensure compliance, supervised the performance of duties by the Directors and senior management of the Company by attending general meetings and Board meetings of the Company and visited the Company's major production bases on an as-needed basis to conduct investigations. During the year, the Supervisory Committee adequately performed its supervisory functions to safeguard the interests of the shareholders as a whole in an effective manner.

1 Meetings of the Supervisory Committee

In 2013, the Supervisory Committee of the Company convened three on-site meetings, In addition, one interim meeting held by way of written resolutions in lieu on-site meeting was also held as required by actual working needs. The convening of the aforesaid meetings was in compliance with provisions of relevant laws and regulations and the Articles, the details of which are as follows:

(1) The First Meeting of the Supervisory Committee in 2013 was held in Shenzhen, Guangdong on 19 March 2013, at which the 2012 Report of the Supervisory Committee of China BlueChemical Ltd. was considered and passed, the 2012 financial reports of the Company were reviewed and the key tasks of the Supervisory Committee for 2013 were formulated.

(2) The interim meeting of the Supervisory Committee was held by way of written resolution in lieu of on-site meetings on 10 May 2013, at which the resignation of Mr. Qiu Kewen as Shareholders' Representative Supervisor and Chairman of the Supervisory Committee of the Company was approved. The resignation of Mr. Qiu came into effect upon approval of the appointment of a new Supervisor by shareholders at the 2012 general meeting held on 31 May 2013.

(3) The Second Meeting of the Supervisory Committee in 2013 was held in Beijing on 31 May 2013, at which Mr. Wang Mingyang, a new Supervisor nominated by shareholders at the 2012 general meeting, was elected Chairman of the Supervisory Committee of the Company and the director of the Office of the Supervisory Committee of the Company was appointed.

(4) The Third Meeting of the Supervisory Committee in 2013 was held in Shenzhen, Guangdong on 27 August 2013, at which the 2013 interim financial report of the Company was reviewed.

2 Principal inspection and supervision work carried out by the Supervisory Committee in 2013

(1) Members of the Supervisory Committee carried out supervision and inspection in respect of the financial position of the Company and its internal control systems, such as the financial management system, including regular inspections of the financial reports and budgets of the Company and reviews of the Company's accounting books and vouchers, related contracts and other relevant information from time to time.

(2) Members of the Supervisory Committee attended the annual general meeting. Mr. Huang Jinggui, Independent Supervisor of the Company, acted as scrutineer for the voting on various resolutions at the annual general meeting.

(3) The Supervisory Committee attended 5 Board meetings and exercised supervision over the legal and procedural compliance of Board proceedings and Board implementation of resolutions of general meetings.

(4) In 2013, members of the Supervisory Committee visited major production bases of the Company to conduct on-site investigations, making major efforts to inspect production and operations and project construction works at the bases with a special focus on cost management and control.

3 Independent opinions issued by the Supervisory Committee on relevant matters

(1) Operation and management of the Company

During the reporting period, the Company delivered satisfactory results in production and operation, project construction, internal management and team building and completed the annual targets for production and operations. The Company has established a comprehensive regime for internal management and control. Information disclosure was timely, accurate and complete. The procedures for decision-making at the general meetings and Board meetings of the Company were legal and in compliance with relevant provisions. The Directors and senior management of the Company have diligently implemented resolutions passed by the general meeting and the Board in faithful performance of their duties as stipulated in the Articles, without compromising the Company's interests and acting in violation of laws and regulations.

(2) Financial position of the Company

Members of the Supervisory Committee have conducted supervision and inspection of the Company's financial management system and financial conditions and reviewed 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 relevant laws and regulations governing financial and economic matters and financial regulations, the financial management system has been sound and effectively implemented, accounting treatments have been applied with consistency, and the Company's financial reports represent a fair and objective view of the financial position and operating results of the Company.

The Supervisory Committee has reviewed the unqualified audit reports in respect of the financial position and operating results of the Company for 2013 issued by Deloitte Touche Tohmatsu CPA LLP and Deloitte Touche Tohmatsu in accordance with PRC and International Accounting Standards, respectively, and does not dispute the report.

(3) Connected transactions

The Supervisory Committee has conducted random examination of the connected transactions with connected persons entered into by the Company and its subsidiaries from time to time during the reporting period, and is of the view that relevant provisions of the Listing Rules have been complied with, and that the prices of the connected transactions were reasonable, open and fair without any prejudice to the interests of the shareholders and the Company.

(4) Implementation of resolutions of the general meetings

The Supervisory Committee does not dispute the reports and motions tabled by the Board at the general meeting for consideration, and is of the view that the Board has diligently implemented resolutions approved at the general meeting.

In 2014, the Supervisory Committee will continue to closely monitor the Company's day-to-day operations and significant initiatives in business development and supervise the actions of the Directors and senior management in the performance of their duties, in diligent performance of their supervisory duties through the lawful and independent exercise of powers vested in them in accordance with relevant provisions of the Company Law, the Articles, the Rules of Meetings of the Supervisory Committee and the Listing Rules, with the aim of facilitating standardized operations at and health development for the Company and faithfully protecting the interests of all shareholders and the Company.

By Order of the Supervisory Committee

Wang Mingyang

Chairman of the Supervisory Committee

Shenzhen, the PRC, 25 March 2014

Independent Auditors' Report

Deloitte.
德勤

To the shareholders of China BlueChemical Ltd.

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

We have audited the consolidated financial statements of China BlueChemical Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 52 to 143, which comprise the consolidated and the company statements of financial position as at 31 December 2013, the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong
27 March 2014

Consolidated Statement of Profit or Loss

For the year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000 (Restated)
Revenue	5	**10,723,636**	10,739,211
Cost of sales		**(7,500,309)**	(7,432,872)
Gross profit		**3,223,327**	3,306,339
Other income and gains	5	**156,336**	120,593
Selling and distribution expenses		**(347,042)**	(218,101)
Administrative expenses		**(476,320)**	(431,305)
Other expenses		**(76,025)**	(31,786)
Finance income	6	**10,669**	14,447
Finance costs	7	**(2,571)**	(13,518)
Net exchange losses		**(8,792)**	(7,489)
Share of (losses) profits of joint ventures		**(263)**	68
Share of (losses) profits of associates		**(9,350)**	86
Impairment of property, plant and equipment	8	**(122,711)**	(131,694)
Profit before tax	8	**2,347,258**	2,607,640
Income tax expense	11	**(554,162)**	(624,020)
Profit for the year		**1,793,096**	1,983,620
Profit for the year attributable to:			
Owners of the parent	12	**1,647,081**	1,810,463
Non-controlling interests		**146,015**	173,157
		1,793,096	1,983,620
Earnings per share attributable to ordinary owners of the parent			
- Basic for the year (RMB)	14	**0.36**	0.39

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

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

Details of the dividends payable and proposed for the year are disclosed in note 13 to the financial statements.

Consolidated Statement of Financial Position

At 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000 (Restated)	2011 RMB'000 (Restated)
Assets				
Non-current assets				
Property, plant and equipment	15	10,810,741	9,997,415	9,353,734
Prepayments for property, plant and equipment		160,770	396,926	458,350
Mining and exploration rights	16	476,353	478,399	479,951
Prepaid lease payments	17	623,119	514,211	472,695
Intangible assets	18	125,078	124,872	129,639
Investments in joint ventures	20	213,635	121,151	121,084
Investments in associates	21	828,092	654,433	654,347
Available-for-sale investment	22	600	600	600
Deferred tax assets	23	198,413	139,319	110,198
Other long-term prepayment		12,000	-	-
		13,448,801	12,427,326	11,780,598
Current assets				
Inventories	24	1,365,805	1,633,194	1,430,267
Trade receivables	25	111,589	96,520	147,272
Bills receivable	26	54,400	83,890	81,196
Prepayments, deposits and other receivables	27	572,626	396,424	369,432
Pledged bank deposits	29	5,665	3,995	1,711
Time deposits with original maturity over three months	29	42,944	-	-
Cash and cash equivalents	29	2,933,970	2,563,666	2,767,420
		5,086,999	4,777,689	4,797,298
Total assets		18,535,800	17,205,015	16,577,896
Equity and liabilities				
Capital and reserves				
Issued capital	30	4,610,000	4,610,000	4,610,000
Reserves	31	8,900,603	7,907,868	6,789,415
Proposed dividends	31	645,400	691,500	737,600
		14,156,003	13,209,368	12,137,015
Non-controlling interests		1,345,228	1,417,305	1,430,653
Total equity		15,501,231	14,626,673	13,567,668

Consolidated Statement of Financial Position - continued

At 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000 (Restated)	2011 RMB'000 (Restated)
Non-current liabilities				
Benefits liability	32	**23,964**	48,590	53,411
Interest-bearing bank borrowings	33	**31,000**	-	425,000
Deferred tax liabilities	23	**62,175**	72,775	71,796
Deferred revenue	34	**135,677**	37,900	14,734
Other long-term liabilities		**115,152**	114,280	115,068
		367,968	273,545	680,009
Current liabilities				
Trade payables	35	**418,048**	405,282	318,689
Bills payable	35	**120,416**	23,100	8,550
Other payables and accruals	36	**1,798,602**	1,729,925	1,874,587
Obligation arising from a put option to a non-controlling shareholder	41	**92,794**	-	-
Derivative financial instruments	41	**47,485**	-	-
Income tax payable		**189,256**	146,490	128,393
		2,666,601	2,304,797	2,330,219
Total liabilities		**3,034,569**	2,578,342	3,010,228
Total equity and liabilities		**18,535,800**	17,205,015	16,577,896
Net current assets		**2,420,398**	2,472,892	2,467,079
Total assets less current liabilities		**15,869,199**	14,900,218	14,247,677
Net assets		**15,501,231**	14,626,673	13,567,668

Yang Yexin
Director

Lee Kit Ying
Director

Consolidated Statement of Changes in Equity

At 31 December 2013

	Attributable to owners of the parent			
	Issued capital RMB'000	Capital reserve RMB'000 (Note i)	Statutory surplus reserve RMB'000 (Note ii)	Special reserve RMB'000 (Note iii)
As at 1 January 2012 (Restated)	4,610,000	1,009,725	611,377	10,939
Profit for the year	-	-	-	-
Total comprehensive income for the year	-	-	-	-
Acquisition of non-controlling interests	-	(510)	-	-
Capital contribution by non-controlling interest	-	-	-	-
Appropriation and utilisation of safety fund, net	-	-	-	(7,594)
Transfer from retained profits	-	-	140,980	-
Proposed 2012 final dividend	-	-	-	-
Dividends paid to non-controlling shareholders	-	-	-	-
Final 2011 dividend declared	-	-	-	-
Balance at 31 December 2012 (Restated)	4,610,000	1,009,215*	752,357*	3,345*
Balance at 1 January 2013	**4,610,000**	**1,009,215**	**752,357**	**3,345**
Profit for the year	-	-	-	-
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	-	-
Acquisition of non-controlling interests	-	**(1,978)**	-	-
Liquidation of a subsidiary	-	-	-	-
Contribution from a non-controlling shareholder	-	-	-	-
Obligation arising from a put option to a non-controlling shareholder	-	-	-	-
Transfer from retained profits	-	-	**126,449**	-
Appropriation and utilisation of safety fund, net	-	-	-	**27,487**
Proposed 2013 final dividend	-	-	-	-
Dividends paid to non-controlling shareholders	-	-	-	-
Final 2012 dividend declared	-	-	-	-
Balance at 31 December 2013	**4,610,000**	**1,007,237***	**878,806***	**30,832***

* These reserve accounts comprise the consolidated reserves of approximately RMB8,900,603,000 (2012: RMB7,907,868,000) in the consolidated statement of financial position.

Note:

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 profits RMB'000	Proposed dividends RMB'000	Translation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
5,157,374	737,600	-	12,137,015	1,430,653	13,567,668
1,810,463	-	-	1,810,463	173,157	1,983,620
1,810,463	-	-	1,810,463	173,157	1,983,620
-	-	-	(510)	(23,751)	(24,261)
-	-	-	-	25,836	25,836
7,594	-	-	-	-	-
(140,980)	-	-	-	-	-
(691,500)	691,500	-	-	-	-
-	-	-	-	(188,590)	(188,590)
-	(737,600)	-	(737,600)	-	(737,600)
6,142,951*	691,500	-	13,209,368	1,417,305	14,626,673
6,142,951	**691,500**	**-**	**13,209,368**	**1,417,305**	**14,626,673**
1,647,081	**-**	**-**	**1,647,081**	**146,015**	**1,793,096**
-	**-**	**(6,968)**	**(6,968)**	**(4,643)**	**(11,611)**
1,647,081	**-**	**(6,968)**	**1,640,113**	**141,372**	**1,781,485**
-	**-**	**-**	**(1,978)**	**(1,128)**	**(3,106)**
-	**-**	**-**	**-**	**(42,104)**	**(42,104)**
-	**-**	**-**	**-**	**94,242**	**94,242**
-	**-**	**-**	**-**	**(85,362)**	**(85,362)**
(126,449)	**-**	**-**	**-**	**-**	**-**
(27,487)	**-**	**-**	**-**	**(3,056)**	**(3,056)**
(645,400)	**645,400**	**-**	**-**	**-**	**-**
-	**-**	**-**	**-**	**(176,041)**	**(176,041)**
-	**(691,500)**	**-**	**(691,500)**	**-**	**(691,500)**
6,990,696*	**645,400**	**(6,968)***	**14,156,003**	**1,345,228**	**15,501,231**

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000 (Restated)
Cash flows from operating activities			
Profit before tax		2,347,258	2,607,640
Adjustments for:			
Finance costs	7	2,571	13,518
Share of losses/(profits) of associates		9,350	(86)
Share of losses/(profits) of joint ventures		263	(68)
Finance income		(10,669)	(14,447)
Gain on disposal of unlisted investments	5	(73,546)	(79,787)
(Gains)/Losses on disposal of property, plant and equipment and prepaid lease payment	5, 8	(6,771)	2,776
Depreciation of property, plant and equipment	8	797,051	768,707
Amortisation of mining rights	8	2,046	1,552
Amortisation of prepaid lease payments	8	15,637	12,243
Amortisation of intangible assets	8	10,755	11,174
Release of government grants		(1,176)	(23)
Reversal of allowance on doubtful receivables	8	(273)	(2)
Impairment of property, plant and equipment	8	122,711	131,694
Write-down of inventories to net realisable value	8	30,419	33,759
Loss on change in fair value of obligation arising from a put option to a non-controlling shareholder	8	5,416	-
Loss on fair value changes of derivative financial instruments	8	47,485	-
		3,298,527	3,488,650
Decrease/(increase) in inventories		236,970	(240,324)
Net decrease/(increase) in trade receivables and bills receivable, prepayments, deposits and other receivables		(145,460)	(35,324)
Net increase (decrease) in trade payables, bills payable, other payables and accruals, and other long-term liabilities		314,357	(1,299)
Defined benefits liability paid		(26,519)	(5,267)
Cash generated from operations		3,677,875	3,206,436
Income tax paid		(581,090)	(634,065)
Net cash flows from operating activities		3,096,785	2,572,371

Consolidated Statement of Cash Flows - continued

For the year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000 (Restated)
Cash flows from investing activities			
Interest received		10,669	16,039
Purchases of property, plant and equipment		(1,645,470)	(1,476,558)
Proceeds from disposal of property, plant and equipment		1,059	85
Proceeds from disposal of prepaid lease payments		62,884	-
Additions to prepaid lease payments	17	(148,885)	(54,862)
Additions of intangible assets	18	(10,961)	(6,407)
Addition to investment in an associate		(192,389)	-
Addition to investment in a joint venture		(92,747)	-
Purchase of available-for-sale investment		(7,467,180)	(7,336,992)
Disposal of available-for-sale investment		7,540,726	7,413,814
Government grants received		60,000	23,189
Increase in pledged bank deposits		(1,670)	(2,284)
Increase in time deposits with original maturity over three months		(42,944)	-
Net cash flows used in investing activities		(1,926,908)	(1,423,976)
Cash flows from financing activities			
Bank borrowings raised		31,000	65,960
Repayment of bank and other borrowings		-	(490,960)
Interest paid		(300)	(12,534)
Dividends paid		(691,500)	(737,600)
Dividends paid to non-controlling shareholders		(175,278)	(188,590)
Purchase of non-controlling interests		(13,107)	(14,261)
Contribution from non-controlling shareholders		94,242	25,836
Distribution to a non-controlling shareholder upon liquidation of a subsidiary		(42,104)	-
Net cash flows used in financing activities		(797,047)	(1,352,149)
Net increase/(decrease) in bank balances and cash		372,830	(203,754)
Cash and cash equivalents at 1 January (restated)		2,563,666	2,767,420
Effect of foreign exchange rate changes		(2,526)	-
Cash and cash equivalents at 31 December	29	2,933,970	2,563,666

Statement of Financial Position

For the year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	15	2,063,666	2,316,043
Investment properties		13,499	14,366
Prepaid land lease payments	17	57,724	74,295
Intangible assets	18	3,441	1,602
Investments in subsidiaries	19	5,865,910	4,388,845
Investments in joint ventures		213,635	121,151
Investment in an associate		637,000	637,000
Deferred tax assets	23	33,760	20,802
		8,888,635	7,574,104
Current assets			
Inventories	24	200,122	226,514
Trade receivables	25	179,516	26,879
Bills receivable	26	52,500	-
Prepayments, deposits and other receivables	27	100,307	111,263
Loans receivable	28	1,083,150	1,885,000
Cash and cash equivalents	29	1,390,851	1,468,379
		3,006,446	3,718,035
Total assets		11,895,081	11,292,139
Equity and liabilities			
Equity			
Paid-up capital	30	4,610,000	4,610,000
Reserves	31	6,030,685	5,399,274
Proposed dividends	31	645,400	691,500
Total equity		11,286,085	10,700,774
Non-current liabilities			
Deferred revenue	34	9,900	-
Other long-term liabilities		17,437	17,437
		27,337	17,437
Current liabilities			
Trade payables	35	134,139	152,415
Other payables and accruals	36	275,377	323,804
Derivative financial instruments	41	47,485	-
Income tax payable		124,658	97,709
		581,659	573,928
Total liabilities		608,996	591,365
Total equity and liabilities		11,895,081	11,292,139

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.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

2. Adoption of new accounting policies - continued

2.1 Application of the new and revised International Financial Reporting Standards ("IFRSs") - continued

New and revised Standards on consolidation, joint arrangements, associates and disclosures - continued

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 4. 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 as set out in note 3.

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. Disclosures of fair value information are set out in note 42.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

2. Adoption of new accounting policies - continued

2.1 Application of the new and revised International Financial Reporting Standards ("IFRSs") - continued

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).

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

2. Adoption of new accounting policies - continued

2.1 Application of the new and revised International Financial Reporting Standards ("IFRSs") - continued

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	IFRIC 20	IFRS 11	IFRIC 20
	RMB'000	RMB'000	RMB'000	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	-	-	-	-

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

2. Adoption of new accounting policies - continued

2.1 Application of the new and revised International Financial Reporting Standards ("IFRSs") - continued

Summary of the effects of the above changes in accounting policies and a reclassification - continued

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 (originally stated)	IFRS 11	IFRIC 20	Other	As at 1/1/2012 (restated)	As at 31/12/2012 (originally stated)	IFRS 11	IFRIC 20	Other	As at 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

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

2. Adoption of new accounting policies - continued

2.1 Application of the new and revised International Financial Reporting Standards ("IFRSs") - continued

Summary of the effects of the above changes in accounting policies and a reclassification - continued

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

1 Effective for annual periods beginning on or after 1 January 2014

2 Effective for annual periods beginning on or after 1 July 2014

3 Available for application - the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised

4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

5 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.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

2. Adoption of new accounting policies - continued

2.2 New and revised IFRSs not yet effective and not early adopted - continued

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. Significant accounting policies

Basis of preparation

These financial statements have been prepared in accordance with IFRSs, which comprise standards and interpretations approved by the International Accounting Standards Board, International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Companies Ordinance. They are presented in RMB and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

These financial statements have been prepared under the historical cost convention, except for a derivative financial instrument and an obligation arising from a put option to a non-controlling shareholder, which have been measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 and value in use in IAS 36.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

3. Significant accounting policies - continued

Basis of preparation - continued

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

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 Company 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 from the date the Company obtains control over the subsidiary and ceases on the date the Company loses control of 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.

Changes in the Group's ownership interest in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries but no adjustments are made to goodwill and no gain or loss is recognised. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, 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 previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. 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 IFRSs). 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 under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

3. Significant accounting policies - continued

Investments 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.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, from the date on which the investee becomes an associate or a joint venture. Under the equity method, an investment 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. 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 investment 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.

On acquisition of the investment 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.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

3. Significant accounting policies - continued

Property, plant and equipment and depreciation

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%

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, machinery 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.

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.

Exploration and evaluation assets

Exploration and evaluation assets comprises costs which are directly attributable to the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource, including, but not limited to, the following:

- acquisition of rights to explore
- topographical, geological, geochemical and geophysical studies

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

3. Significant accounting policies - continued

Exploration and evaluation assets - continued

- exploratory drilling, trenching and sampling
- activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resources

Other than licence cost, expenditure during the initial exploration stage of a project is charged to profit or loss as incurred before the establishment of commercial reserves. Further exploration and evaluation costs are capitalised as exploration and evaluation assets on a project-by-project basis pending determination of the technical feasibility and commercial viability of the project. They are subsequently measured at cost less accumulated impairment.

Once development of commercial reserves is sanctioned, exploration and evaluation assets are tested for impairment and transferred to mining rights.

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 life 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 least at each financial year end.

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.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the profit or loss in the year in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting year as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the profit or loss in the year in which it arises.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

3. Significant accounting policies - continued

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) as control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group 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 employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

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

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the consolidated statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the profit or loss on the straight-line basis over the lease terms.

Land using rights under operating leases are presented as prepaid lease payments in the consolidated statement of financial position and are initially stated at cost and subsequently charged to the profit or loss on the straight-line basis over the lease terms.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

3. Significant accounting policies - continued

Financial instruments

Financial assets

Recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The Group determines the classification of its financial assets at initial recognition based on their nature and purpose. All regular way purchases and sales of financial assets are recognised on the trade date and derecognised on a settlement date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace. The Group's financial assets include cash and cash equivalent, pledged bank deposits, time deposits with original maturity over three months, bills receivable, trade and other receivables, and available-for-sale financial assets.

During the reporting years, the Group held only loans and receivables and an available-for-sale financial asset, which were initially measured at fair value plus transaction costs. The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivatives with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Interest income is recognised by applying the effective interest rate, expect for short-term receivables where the recognition of interest would be immaterial.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as other categories of financial assets. The Group designated its investment in an unlisted equity investment as available-for-sale, as detailed in note 22. As the unlisted equity investment does not have quoted market price and its fair value cannot be reliably measured, it is measured at cost less any identified impairment losses at end of each reporting period. Dividends on the unlisted equity investment are recognised in profit or loss in accordance with the policies set out for "revenue recognition" below.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the assets. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

3. Significant accounting policies - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets

Financial assets are assessed for impairment indicators at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Evidence of impairment for the Group's loans and receivable (mainly trade and other receivables) may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. The trade and other receivables that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. The amount of the impairment loss recognised for receivables, if any, is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the trade and other receivables is reduced through the use of an allowance account. Change in the carrying amount of the allowance account are recognised in profit or loss. When a trade or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For the unquoted equity investment stated at cost, the amount of the impairment is measured as the difference the carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent period.

Financial liabilities and equity instrument

Recognition and measurement

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss and, financial liabilities at amortised cost. The Group determines the classification of its financial liabilities at initial recognition. The Group's financial liabilities include trade and bill payables, other payables, interest-bearing bank borrowings, derivative financial instruments and an obligation arising from a put option to a non-controlling shareholder.

All financial liabilities are recognised initially at fair value and, in the case of financial liabilities at amortised cost, net of directly attributable transaction costs.

Derivative financial instruments, which are initially recognised at fair value at the date when the derivative contracts are entered into, are remeasured at fair value at the end of the reporting period, with any gains or losses recognised in profit or loss and presented in the other gains or other expenses line item.

After initial recognition, financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the profit or loss when the liabilities are derecognised. The effective interest rate amortisation is included in finance costs in the profit or loss.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

3. Significant accounting policies - continued

Financial instruments - continued

Financial liabilities and equity instrument - continued

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interests income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Obligation arising from put and call options on shares of a subsidiary written to / granted from a non-controlling shareholder

Put option written to and call option granted from a non-controlling shareholder, which will be settled other than by exchange of fixed amount of cash for a fixed number of shares in a subsidiary are accounted for as derivatives and are recognised at fair value upon initial recognition. Any changes of fair value in subsequent reporting dates are recognised in profit or loss.

The gross financial liability arising from the put option is recognised when contractual obligation to repurchase the shares in a subsidiary is established even if the obligation is conditional on the counterparty exercising a right to sell back the shares to the Group. The liability for the share redemption amount is initially recognised and measured at present value of the estimated repurchase price with the corresponding debit to the non-controlling interests. In subsequent years, the remeasurement of the present value of the estimated gross obligation under the written put option to the non-controlling shareholder is recognised in profit or loss.

Dividends paid to the other shareholders are recognised as an expense of the Group, unless they represent a repayment of the liability (e.g. where the exercise price is adjusted by the dividends paid). The profits or loss (and changes in equity) with respect to the subsidiary are allocated to the Company and not to the non-controlling interest (classified as a financial liability).

If the put option is exercised, the carrying amount of the gross financial liability at that date is extinguished by the payment of the exercise price. If the put option expires unexercised, the liability is derecognised with the non-controlling interest being reinstated. Any difference between the liability and non-controlling interest is recognised in equity.

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.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

3. Significant accounting policies - continued

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting year of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit or loss.

Income tax

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 and prior years are measured at the amount expected to be recovered from or paid to the tax authorities, based on 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 is provided, using the liability method, on all temporary differences at the end of the reporting year between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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.

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 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 became probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

3. Significant accounting policies - continued

Income tax - continued

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 year.

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.

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 recognizes 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 income 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.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, reduced for estimated customer returns and is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold, the amount of revenue can be measured reliably, it is possible that economic benefits associated with the transaction will flow to the Group, and the costs incurred in respect of the transaction can be measured reliably ;

(b) from the rendering of services, on the percentage of completion basis:

    Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

    Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered. Provision is made for foreseeable losses as soon as they are anticipated by management.

(c) rental income, on a time proportion basis over the lease terms;

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(e) dividend income, when the shareholders' right to receive payment has been established.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

3. Significant accounting policies - continued

Retirement and termination benefits

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.

CNOOC Tianye Chemical Limited ("CNOOC Tianye"), the Group's 92.27%-owned subsidiary also pays 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 "benefit liability"), as detailed in note 32. The cost of providing the benefit 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 benefit liability costs include service cost, net interest expense and remeasurement. Remeasurement, including actuarial gains and losses, is reflected immediately in the 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 earnings. Net interest is calculated by applying the discount rate at the beginning of the period to the net benefit liability. The service cost and net interest are included in cost of sales and administrative expenses.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the year in which they are incurred.

Dividends

Final dividends proposed by the directors 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.

Foreign currencies

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.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve, attributed to non-controlling interests as appropriate.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

3. Significant accounting policies - continued

Critical accounting judgements 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. 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 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, as detailed in note 23. Where the actual or expected tax positions of the relevant companies of the Group in future are different from the original estimate, such differences will impact the recognition of deferred tax assets and income tax charge in the year in which such estimate has been changed. The amount of deferred tax assets are disclosed in note 23.

b. 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 are disclosed in note 8.

c. Allowance for doubtful receivables

Allowance for doubtful receivables is made based on the assessment of the recoverability of trade receivables and other receivables. The identification of doubtful receivables requires 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 receivables and doubtful debt expenses/reversal in the year in which these estimates have been changed. The amount of allowance for doubtful receivables are disclosed in note 25.

d. Impairment of non-financial assets (other than goodwill)

In considering the impairment losses that may be required for certain of the Group's assets which include property, plant and equipment which include construction in progress, mining and exploration rights, intangible assets and lease prepayments, investments in joint ventures and associates, the recoverable amount of the asset needs to be determined. The recoverable amount is the greater of its fair value less costs of disposal and value in use. It is difficult to precisely estimate fair value because quoted market prices for these assets used in ways specific to the Group's operation may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to items such as level of sale volume, selling price and amount of operating costs. 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 and projections of items such as sale volume, selling price and amount of operating costs.

Notwithstanding that the Group has used all available information to make this estimation, inherent uncertainty exists and actual write-offs may be higher than the amount estimated. The carrying amounts of the property, plant and equipment which include construction in progress, mining and exploration rights, lease prepayments and intangible assets, investments in joint ventures and associates, are disclosed in note 15, 16, 17, 18, 20 and 21 respectively.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

3. Significant accounting policies - continued

Critical accounting judgements and key sources of estimation uncertainty - continued

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 2013 are disclosed in note 15.

f. Fair value of derivatives and obligation arising from a put option to a non-controlling shareholder

In estimating the fair value of derivatives and obligation arising from a put option to a non-controlling shareholder, considerable judgment is required to interpret market data used in the valuation techniques. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts with the difference charge to profit or loss. The amount of fair value of derivatives financial instrument and obligation arising from a put option to a non-controlling shareholder are disclosed in note 41.

4. 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.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

4. Operating segment information - continued

Operating segments

	Urea RMB'000	Phosphorus fertiliser RMB'000	Methanol RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Year ended 31 December 2013						
Segment revenue:						
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	3,737,255	2,131,398	3,585,285	1,727,111	(457,413)	10,723,636
Segment profit before tax	1,383,859	(82,797)	1,333,593	(230,209)	-	2,404,446
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						2,347,258
As at 31 December 2013						
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						18,535,800
Total segment liabilities	954,890	2,007,580	671,966	1,293,216	(1,971,876)	2,955,776
Unallocated						78,793
Total liabilities						3,034,569
Other segment information:						
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 *	1,441,615	125,983	12,607	333,137	-	1,913,342

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

4. Operating segment information - continued

Operating segments - continued

	Urea RMB'000	Phosphorus fertiliser RMB'000	Methanol RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Year ended 31 December 2012 (Restated)						
Segment revenue:						
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	4,161,859	1,759,922	3,489,963	1,602,756	(275,289)	10,739,211
Segment profit before tax	1,536,846	67,393	1,260,310	(260,518)	-	2,604,031
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						2,607,640
As at 31 December 2012 (Restated)						
Total segment assets	4,370,583	3,618,966	3,321,623	3,489,792	(79,496)	14,721,468
Unallocated						2,483,547
Total assets						17,205,015
Total segment liabilities	895,426	2,149,988	409,173	1,582,518	(2,532,435)	2,504,670
Unallocated						73,672
Total liabilities						2,578,342
Other segment information:						
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*	700,071	545,676	2,486	324,249	-	1,572,482

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

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

4. Operating segment information - continued

Operating segments - continued

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
	10,723,636	10,739,211

(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.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

5. 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)
Revenue		
Sale of goods	10,339,640	10,335,368
Rendering of services	383,996	403,843
	10,723,636	10,739,211
Other income and gains		
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
	156,336	120,593

6. Finance income

Finance income represents interest income on bank and financial institution deposits for the years ended 31 December 2013 and 2012.

7. Finance costs

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

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

8. Profit before tax

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

	Notes	2013 RMB'000 (Restated)	2012 RMB'000
Cost of inventories sold		7,029,829	6,880,383
Cost of services provided		339,198	338,573
Depreciation	15	797,051	768,707
Amortisation of mining rights	16	2,046	1,552
Amortisation of prepaid lease payments	17	15,637	12,243
Amortisation of intangible assets included in administrative expense	18	10,755	11,174
Auditors' remuneration		3,900	3,900
Employee benefit expense (including directors' and supervisors' remuneration note 9):			
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		42,053	31,833
		688,587	626,475
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		122,711	131,694

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

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

9. Key management personnel remuneration

(i) Directors' and supervisors' remuneration

Details of the directors' and supervisors' remuneration for the year disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance are as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Fees	**-**	-
Other emoluments:		
Salaries, housing benefits, other allowances and benefits in kind	**1,262**	1,644
Discretionary bonuses	**420**	1,080
Pension scheme contributions	**30**	118
	1,712	2,842

The remuneration of each of the directors and supervisors of the Group for the year ended 31 December 2013 is set out below:

	Salaries, housing benefits, other allowances and benefits in kind	Discretionary bonuses	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Directors				
Non-executive directors				
Li Hui	35	-	-	35
Yang Shubo	54	-	-	54
Zhu Lei	54	-	-	54
	143	-	-	143
Executive directors				
Yang Yexin (Chief Executive)	352	420	30	802
	352	420	30	802
Independent non-executive directors				
Gu Zongqin	177	-	-	177
Lee Kit Ying	300	-	-	300
Lee Kwan Hung	290	-	-	290
	767	-	-	767
	1,262	420	30	1,712
Supervisors				
Qiu Kewen(note 5)	10	-	-	10
Wang Mingyang(note 6)	14	-	-	14
Huang Jinggui	84	-	-	84
Liu Lijie	146	110	11	267
	254	110	11	375

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

9. Key management personnel remuneration - continued

(i) Directors' and supervisors' remuneration - continued

The remuneration of each of the directors and supervisors of the Group for the year ended 31 December 2012 is set out below:

	Salaries, housing benefits, other allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Directors				
Non-executive directors				
Li Hui	45	-	-	45
Yang Shubo(note 1)	27	-	-	27
Zhu Lei(note 1)	27	-	-	27
	99	-	-	99
Executive directors				
Yang Yexin (Chief Executive)	321	320	43	684
Fang Yong(note 2)	222	368	34	624
Chen Kai(note 2)	289	392	41	722
	832	1,080	118	2,030
Independent non-executive directors				
Zhang Xinzhi(note 3)	78	-	-	78
Tsui Yiu Wa, Alec(note 3)	127	-	-	127
Gu Zongqin	171	-	-	171
Lee Kit Ying(note 3)	167	-	-	167
Lee Kwan Hung(note 3)	170	-	-	170
	713	-	-	713
	1,644	1,080	118	2,842
Supervisors				
Qiu Kewen	24	-	-	24
Zhang Ping(note 4)	131	149	18	298
Huang Jinggui	84	-	-	84
Liu Lijie(note 4)	31	46	6	83
	270	195	24	489

Note:

1 Yang Shubo and Zhu Lei were appointed as non-executive directors on 5 June 2012.

2 Fang Yong and Chen Kai resigned as executive directors on 5 June 2012.

3 Zhang Xinzhi and Tsui Yiu Wa, Alec resigned on 5 June 2012, and Lee Kit Ying and Lee Kwan Hung were appointed as independent non-executive directors on 5 June 2012.

4 Zhang Ping resigned on 29 September 2012, and Liu Lijie was appointed as a supervisor on 29 September 2012.

5 Qiu Kewen resigned as supervisor on 31 May 2013.

6 Wang mingyang were appointed as supervisor on 31 May 2013.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

9. Key management personnel remuneration - continued

(ii) Other key management personnel's (excluding directors and supervisors) remuneration

Details of the other key management personnel's (excluding directors and supervisors) remuneration for the year disclosed pursuant to Listing Rules and Section 161 of the Hong Kong Companies Ordinance are as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Fees	**-**	-
Other emoluments:		
Salaries, housing benefits, other allowances and benefits in kind	**1,427**	831
Discretionary bonuses	**2,358**	1,149
Pension scheme contributions	**141**	123
	3,926	2,103

10. Five highest paid employees

The five highest paid employees of the Group during the years ended 31 December 2013 and 2012 are analysed as follows:

	2013	2012
	RMB'000	RMB'000
Directors and supervisors	**1**	3
Non-director and non-supervisor employees	**4**	2
	5	5

Details of the remuneration of non-director and non-supervisor highest paid employees during the years ended 31December 2013 and 2012 are as follows:

	2013	2012
	RMB'000	RMB'000
Salaries, housing benefits, other allowances and benefits in kind	**981**	446
Discretionary bonuses	**1,403**	510
Pension scheme contributions	**96**	66
	2,480	1,022

The remuneration of non-director and non-supervisor highest paid employees fell within the band from nil to HKD1,000,000 for the years ended 31 December 2013 and 2012.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

11. Income tax expense

	2013 RMB'000	2012 RMB'000 (Restated)
Current tax		
PRC Enterprise Income Tax	615,905	643,941
Deferred tax (note 23)	(69,694)	(28,142)
	546,211	615,799
Under provision in prior year	7,951	8,221
	554,162	624,020

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, 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 ended 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.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

11. Income tax expense - continued

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

	2013 RMB'000	2012 RMB'000 (Restated)
Profit before tax	2,347,258	2,607,640
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)
Underprovision 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	8,735	4,744
Income tax expense	554,162	624,020
The Group's effective income tax rate	23.61%	23.93%

12. Profit for the year attributable to owners of the parent

The consolidated profit for the year attributable to owners of the parent for the year ended 31 December 2013 includes a profit of RMB1,276,811,000 (2012: RMB1,423,176,000) dealt with in the financial statements of the Company (note 31).

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

13. Dividends

	2013 RMB'000	2012 RMB'000
Proposed final dividend- RMB0.14 (2012: RMB0.15) per ordinary share	**645,400**	691,500

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%.

14. Earnings per share attributable to owners of the parent

	2013 RMB'000	2012 RMB'000
For the purposes of basic earnings per share:		
Earnings		
Profit for the year attributable to owners of the parent	**1,647,081**	1,810,463

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

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

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

15. Property, plant and equipment

Group

	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 process RMB'000	Total RMB'000
As at 1 January 2013:							
Cost	4,384,188	10,969,701	183,788	1,061,176	217,590	1,350,102	18,166,545
Accumulated depreciation and impairment	(1,654,493)	(5,784,071)	(112,424)	(546,569)	(71,573)	-	(8,169,130)
Net carrying amount	2,729,695	5,185,630	71,364	514,607	146,017	1,350,102	9,997,415
Cost as at 1 January 2013, net of accumulated depreciation and impairment	2,729,695	5,185,630	71,364	514,607	146,017	1,350,102	9,997,415
Additions	5,674	9,763	5,389	9,110	54,785	1,681,018	1,765,739
Disposals	(316)	(4,209)	(118)	(466)	(32)	(27,510)	(32,651)
Transfer	256,216	136,598	2,150	26,899	4,233	(426,096)	-
Impairment	(951)	(115,505)	-	(6,255)	-	-	(122,711)
Depreciation for the year	(196,361)	(477,593)	(8,065)	(83,894)	(31,138)	-	(797,051)
Cost as at 31 December 2013, net of accumulated depreciation and impairment	2,793,957	4,734,684	70,720	460,001	173,865	2,577,514	10,810,741
As at 31 December 2013:							
Cost	4,645,595	11,101,173	189,841	1,090,044	276,166	2,577,514	19,880,333
Accumulated depreciation and impairment	(1,851,638)	(6,366,489)	(119,121)	(630,043)	(102,301)	-	(9,069,592)
Net carrying amount	2,793,957	4,734,684	70,720	460,001	173,865	2,577,514	10,810,741

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

15. Property, plant and equipment- continued

Group - continued

	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 process RMB'000	Total RMB'000
As at 1 January 2012 (Restated):							
Cost	3,597,600	10,425,237	181,620	730,582	172,040	1,533,248	16,640,327
Accumulated depreciation and impairment	(1,516,545)	(5,164,368)	(105,911)	(442,378)	(57,391)	-	(7,286,593)
Net carrying amount	2,081,055	5,260,869	75,709	288,204	114,649	1,533,248	9,353,734
Cost as at 1 January 2012, net of accumulated depreciation and impairment (Restated)	2,081,055	5,260,869	75,709	288,204	114,649	1,533,248	9,353,734
Additions	2,138	11,482	5,043	10,149	5,322	1,513,150	1,547,284
Disposals	(1,816)	(701)	(378)	(300)	(7)	-	(3,202)
Transfers	762,497	575,760	1,312	316,416	40,311	(1,696,296)	-
Impairment	-	(110,115)	-	(21,579)	-	-	(131,694)
Depreciation for the year	(114,179)	(551,665)	(10,322)	(78,283)	(14,258)	-	(768,707)
Cost as at 31 December 2012, net of accumulated depreciation and impairment (Restated)	2,729,695	5,185,630	71,364	514,607	146,017	1,350,102	9,997,415
As at 31 December 2012 (Restated):							
Cost	4,384,188	10,969,701	183,788	1,061,176	217,590	1,350,102	18,166,545
Accumulated depreciation and impairment	(1,654,493)	(5,784,071)	(112,424)	(546,569)	(71,573)	-	(8,169,130)
Net carrying amount	2,729,695	5,185,630	71,364	514,607	146,017	1,350,102	9,997,415

During the year ended 31 December 2013, the directors of the Company conducted a review of the Group's property, plant and equipment and determined that a number of those assets were impaired, mainly due to technical obsolescence. Accordingly, impairment losses of RMB122,711,000 (2012: RMB131,694,000) have been recognised in respect of the property, plant and equipment, which are used in the Group's phosphorus fertiliser and others segments. The recoverable amounts of the relevant assets have been determined on the basis of their value in use. The discount rates in measuring the amounts of value in use were 10% (2012: 11%).

During the year, the Group has capitalised borrowing costs amounting to RMB410,000 (2012:RMB8,607,000) on qualifying assets.

As at 31 December 2013, the Group is in the process of obtaining building ownership certificates for certain buildings with a net book value of approximately RMB586,612,000 (2012: RMB853,493,000).

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

15. Property, plant and equipment- continued

Company

	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 process RMB'000	Total RMB'000
As at 1 January 2013:							
Cost	729,166	3,004,947	19,512	101,667	4,470	35,221	3,894,983
Accumulated depreciation and impairment	(311,326)	(1,209,249)	(17,012)	(39,413)	(1,940)	-	(1,578,940)
Net carrying amount	417,840	1,795,698	2,500	62,254	2,530	35,221	2,316,043
Cost as at 1 January 2013, net of accumulated depreciation and impairment	417,840	1,795,698	2,500	62,254	2,530	35,221	2,316,043
Additions	487	1,130	3,557	2,297	103	7,069	14,643
Disposals	(546)	(4,396)	(5)	(233)	(19)	(28)	(5,227)
Transfer	-	20,430	-	6,496	-	(26,926)	-
Depreciation for the year	(39,644)	(210,211)	(481)	(10,940)	(517)	-	(261,793)
Cost as at 31 December 2013, net of accumulated depreciation and impairment	378,137	1,602,651	5,571	59,874	2,097	15,336	2,063,666
As at 31 December 2013:							
Cost	729,107	3,021,063	23,020	107,796	4,359	15,336	3,900,681
Accumulated depreciation and impairment	(350,970)	(1,418,412)	(17,449)	(47,922)	(2,262)	-	(1,837,015)
Net carrying amount	378,137	1,602,651	5,571	59,874	2,097	15,336	2,063,666

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

15. Property, plant and equipment- continued

Company - continued

	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 process RMB'000	Total RMB'000
As at 1 January 2012:							
Cost	536,322	3,042,140	20,626	47,731	2,190	247,292	3,896,301
Accumulated depreciation and impairment	(253,830)	(1,029,169)	(17,430)	(26,758)	(1,846)	-	(1,329,033)
Net carrying amount	282,492	2,012,971	3,196	20,973	344	247,292	2,567,268
Cost as at 1 January 2012, net of accumulated depreciation and impairment	282,492	2,012,971	3,196	20,973	344	247,292	2,567,268
Additions	1,682	1,463	-	2,022	528	-	5,695
Disposals	-	-	(112)	(12)	-	-	(124)
Transfers	165,218	-	-	45,101	1,752	(212,071)	-
Depreciation for the year	(31,552)	(218,736)	(584)	(5,830)	(94)	-	(256,796)
Cost as at 31 December 2012, net of accumulated depreciation and impairment	417,840	1,795,698	2,500	62,254	2,530	35,221	2,316,043
As at 31 December 2012:							
Cost	729,166	3,004,947	19,512	101,667	4,470	35,221	3,894,983
Accumulated depreciationand impairment	(311,326)	(1,209,249)	(17,012)	(39,413)	(1,940)	-	(1,578,940)
Net carrying amount	417,840	1,795,698	2,500	62,254	2,530	35,221	2,316,043

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

16. Mining and exploration rights

Group

	Mining rights RMB'000 (Restated)	Exploration rights RMB'000 (Restated)	Total RMB'000 (Restated)
Cost as at 1 January 2013, net of accumulated amortisation	**97,779**	**380,620**	**478,399**
Amortisation for the year	**(2,046)**	**-**	**(2,046)**
Cost as at 31 December 2013, net of accumulated amortisation	**95,733**	**380,620**	**476,353**
As at 31 December 2013:			
Cost	**106,721**	**380,620**	**487,341**
Accumulated amortisation	**(10,988)**	**-**	**(10,988)**
Net carrying amount	**95,733**	**380,620**	**476,353**
Cost as at 1 January 2012, net of accumulated amortisation	99,331	380,620	479,951
Amortisation for the year	(1,552)	-	(1,552)
Cost as at 31 December 2012, net of accumulated amortisation	97,779	380,620	478,399
As at 31 December 2012:			
Cost	106,721	380,620	487,341
Accumulated amortisation	(8,942)	-	(8,942)
Net carrying amount	97,779	380,620	478,399

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

17. Prepaid lease payments

Group

	2013 RMB'000	2012 RMB'000
Carrying amount as at 1 January	**527,223**	484,604
Additions	**148,885**	54,862
Reduction in cost	**(21,868)**	-
Amortisation for the year	**(15,637)**	(12,243)
Carrying amount as at 31 December	**638,603**	527,223
Current portion included in prepayments, deposits and other receivables	**(15,484)**	(13,012)
Non-current portion	**623,119**	514,211

The Group's leasehold land is situated in Mainland China and is held under the following lease terms:

	2013 RMB'000	2012 RMB'000
Long-term leases	**70,657**	86,843
Medium-term leases	**567,946**	440,380
	638,603	527,223

Company

	2013 RMB'000	2012 RMB'000
Carrying amount as at 1 January	**76,312**	47,096
Additions	**-**	31,233
Disposal	**(15,016)**	-
Amortisation for the year	**(1,855)**	(2,017)
Carrying amount as at 31 December	**59,441**	76,312
Current portion included in prepayments, deposits and other receivables	**(1,717)**	(2,017)
Non-current portion	**57,724**	74,295

The Company's leasehold land is situated in Mainland China and is held under the following lease terms:

	2013 RMB'000	2012 RMB'000
Long-term leases	**20,882**	36,557
Medium-term leases	**38,559**	39,755
	59,441	76,312

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

18. Intangible assets

Group

	Computer software RMB'000	Patents and licences RMB'000	Total RMB'000
Cost as at 1 January 2013, net of accumulated amortisation (Restated)	**8,819**	**116,053**	**124,872**
Additions	**4,934**	**6,027**	**10,961**
Amortisation for the year	**(4,003)**	**(6,752)**	**(10,755)**
Cost as at 31 December 2013, net of accumulated amortisation	**9,750**	**115,328**	**125,078**
As at 31 December 2013:			
Cost	**43,374**	**133,061**	**176,435**
Accumulated amortisation	**(33,624)**	**(17,733)**	**(51,357)**
Net carrying amount	**9,750**	**115,328**	**125,078**

	Computer software RMB'000	Patents and licences RMB'000	Total RMB'000 (Restated)
Cost as at 1 January 2012, net of accumulated amortisation	6,378	123,261	129,639
Additions	6,407	-	6,407
Amortisation for the year	(3,966)	(7,208)	(11,174)
Cost as at 31 December 2012, net of accumulated amortisation	8,819	116,053	124,872
As at 31 December 2012:			
Cost	38,440	127,034	165,474
Accumulated amortisation	(29,621)	(10,981)	(40,602)
Net carrying amount	8,819	116,053	124,872

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

18. Intangible assets - continued

Company

	Computer software RMB'000
Cost as at 1 January 2013, net of accumulated amortisation	**1,602**
Additions	**4,266**
Amortisation for the year	**(2,427)**
Cost as at 31 December 2013, net of accumulated amortisation	**3,441**
As at 31 December 2013:	
Cost	**28,114**
Accumulated amortisation	**(24,673)**
Net carrying amount	**3,441**

	Total RMB'000
Cost as at 1 January 2012, net of accumulated amortisation	1,286
Additions	6,340
Amortisation for the year	(6,024)
Cost as at 31 December 2012, net of accumulated amortisation	1,602
As at 31 December 2012:	
Cost	23,848
Accumulated amortisation	(22,246)
Net carrying amount	1,602

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

19. Investments in subsidiaries

	2013 RMB'000	2012 RMB'000
Unlisted investments, at cost	**5,865,910**	4,388,845

The Company's trade receivables, bill receivables, other receivables, loans receivable, trade payables and bills payable and other payable balances with its subsidiaries are disclosed in notes 25, 26, 27, 28, 35 and 36, respectively.

19.1 General information of subsidiaries

Particulars of the principal subsidiaries of the Company are set out as follows:

Name of entity	Place and date of incorporation and operation	Registered capital '000		Percentage of equity interest attributable to the Company	Principal activities
CNOOC Fudao Limited (海洋石油富島有限公司)	PRC 31 December 2001	RMB470,500	Direct Indirect	100.00 -	Manufacture and sale of fertilisers
Hainan CNOOC Plastic Co., Ltd. (海南中海石油塑編有限公司)	PRC 28 April 2002	RMB12,716	Direct Indirect	100.00 -	Manufacture and sale of woven plastic bags
Hainan CNOOC Transportation Co., Ltd. (海南中海石油運輸服務有限公司)	PRC 22 October 2001	RMB6,250	Direct Indirect	- 73.11	Provision of transportation services
CNOOC (Hainan) E&P Gas Limited (中海石油(海南)環保氣體有限公司)	PRC 8 November 2004	RMB6,900	Direct Indirect	100.00 -	Manufacture and sale of liquidised carbon dioxide
Hainan Basuo Port Limited (海南八所港務有限責任公司)	PRC 25 April 2005	RMB514,034	Direct Indirect	73.11 -	Port operation
CNOOC Tianye (中海石油天野化工有限責任公司)	PRC 18 December 2000	RMB2,272,856	Direct Indirect	92.27 -	Manufacture and sale of fertilisers methanol and POM
Inner Mongolia Hong Feng Packaging Co., Ltd. (內蒙古鴻豐包裝有限責任公司)	PRC 9 December 1999	RMB3,297	Direct Indirect	- 65.14	Manufacture and sale of woven plastic bags
CNOOC Kingboard Chemical Limited (中海石油建滔化工有限公司)	PRC 31 October 2003	RMB500,000	Direct Indirect	60.00 -	Manufacture and sale of methanol
China BlueChemical Yichang Mining Ltd. (中海石油化學宜昌礦業有限公司)	PRC 7 August 2008	RMB150,000	Direct Indirect	51.00 -	Phosphate mining and processing sale of phosphate ore
Shanghai Qionghua Trading Co., Ltd. (上海瓊化經貿有限公司)	PRC 7 January 2002	RMB27,000	Direct Indirect	- 100.00	Trading of fertilisers

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

19. Investments in subsidiaries - continued

19.1 General information of subsidiaries - continued

Name of entity	Place and date of incorporation and operation	Registered capital '000		Percentage of equity interest attributable to the Company	Principal activities
China BlueChemical Baotou Coal Chemical Industry Co., Ltd. (中海油化學包頭煤化工有限公司)	PRC 11 September 2008	RMB100,000	Direct Indirect	100.00 -	Manufacture and sales of fertilisers and chemical products
China Basuo Ocean Shipping Tally Co., Ltd. (八所中理外輪理貨有限公司)	PRC 9 May 2008	RMB300	Direct Indirect	- 61.41	Provision of overseas shipping services
CNOOC Hualu Shanxi Coal Chemical Co., Ltd. (中海油华鹿山西煤炭化工有限公司)	PRC 29 November 2005	RMB61,224	Direct Indirect	51.00 -	Preparatory work for a methanol and dimethyl ether project
Hubei Dayukou Chemical Co., Ltd. (湖北大峪口化工有限責任公司)	PRC 12 August 2005	RMB1,050,624	Direct Indirect	83.97 -	Phosphate mining and processing, manufacture and sales of MAP and DAP fertilisers
Guangxi Fudao Agricultural Means of Production Limited (廣西富島農業生產資料有限公司)	PRC 11 January 2003	RMB20,000	Direct Indirect	- 51.00	Trading of fertilisers and chemicals
Guangxi Fudao Chemical Limited (廣西富島化工有限公司)	PRC 8 February 2006	RMB3,000	Direct Indirect	- 51.00	Trading of fertilisers and chemicals
Guilin Fudao Agriculture Meansof Production Limited (桂林富島農業生產資料有限公司)	PRC 10 March 2004	RMB1,000	Direct Indirect	- 35.70	Trading of fertilisers and chemicals
CNOOC Guangxi Fertilizer andTechnology Limited (廣西中海肥業科技有限公司)	PRC 25 December 2009	RMB2,000	Direct Indirect	- 51.00	Manufacture and sale of fertilisers
CNOOC Huahe Coal Chemical Ltd. (中海石油华鶴煤化有限公司)	PRC 26 May 2006	RMB1,035,600	Direct Indirect	100.00 -	Manufacture and sale of fertilisers
Hainan Basuo Port Labor Service Limited (海南八所港務有限責任公司勞動服務公司)	PRC 14 March 2007	RMB600	Direct Indirect	- 73.11	Provision of overseas shipping services
China BlueChemical (HongKong) Limited 中海化学(香港)有限公司	Hong Kong 14 November 2013	HKD100	Direct Indirect	100.00 -	Trading of fertilisers
CBC (Canada) Holding Corp.	Canada 27 March 2013	CA$40,000	Direct Indirect	60.00 -	Investment Holding

The subsidiaries of the Company listed in the above table are all limited liability companies which, in the opinion of management, affected the results for the year or formed a substantial portion of the net assets of the Group.

The English names of certain companies above represent the best efforts by the management of the Company in directly translating the Chinese names of these companies as no English names have been registered.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

19. Investments in subsidiaries - continued

19.2 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 subsidiary	Place of Incorporation and operation	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012
				RMB'000	RMB'000	RMB'000	RMB'000
CNOOC Kingboard Chemical Limited	Hainan	40.00%	40.00%	180,827	171,855	520,869	515,320
Hainan Basuo Port Limited	Hainan	26.89%	26.89%	9,778	10,715	184,080	174,302
CNOOC Tianye	Inner Mongolia	7.73%	10.00%	(5,798)	(17,438)	182,265	188,063
Hubei Dayukou Chemicals Co., Ltd.	Hubei	16.03%	16.03%	(19,707)	4,279	200,891	220,598
China BlueChemical Yichang Mining Ltd.	Hubei	49.00%	49.00%	(35)	(2,119)	202,127	202,163

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.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

19. Investments in subsidiaries - continued

19.2 Details of non-wholly owned subsidiaries that have material non-controlling interests - continued

CNOOC Kingboard Chemical Limited	2013 RMB'000	2012 RMB'000
Current assets	858,077	699,712
Non-current assets	674,830	745,223
Current liabilities	(209,104)	(132,694)
Non-current liabilities	(21,630)	(23,941)
Equity attributable to owners of the Company	781,304	772,980
Non-controlling interests	520,869	515,320

	2013 RMB'000	2012 RMB'000
Revenue	1,398,548	1,444,458
Expenses	(946,481)	(1,014,821)
Profit for the year	452,067	429,637
Profit attributable to owners of the Company	271,240	257,782
Profit attributable to the non-controlling interests	180,827	171,855
Profit for the year	452,067	429,637
Other comprehensive income attributable to owners of the Company	-	-
Other comprehensive income attributable to the non-controlling interests	-	-
Other comprehensive income for the year	-	-
Total comprehensive income attributable to owners of the Company	271,240	257,782
Total comprehensive income attributable to the non-controlling interests	180,827	171,855
Total comprehensive income for the year	452,067	429,637
Dividends paid to non-controlling interests	175,278	187,402
Net cash inflow from operating activities	589,296	518,924
Net cash inflow from investing activities	3,755	14,835
Net cash used in financing activities	(429,403)	(468,504)
Net cash inflow	163,648	65,255

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

19. Investments in subsidiaries - continued

19.2 Details of non-wholly owned subsidiaries that have material non-controlling interests - continued

Hainan Basuo Port Limited	2013 RMB'000	2012 RMB'000
Current assets	93,275	71,062
Non-current assets	1,113,029	1,100,685
Current liabilities	(419,142)	(422,927)
Non-current liabilities	(102,596)	(100,616)
Equity attributable to owners of the Company	500,486	473,902
Non-controlling interests	184,080	174,302

	2013 RMB'000	2012 RMB'000
Revenue	239,839	222,275
Expenses	(203,476)	(182,427)
Profit for the year	36,363	39,848
Profit attributable to owners of the Company	26,585	29,133
Profit attributable to the non-controlling interests	9,778	10,715
Profit for the year	36,363	39,848
Other comprehensive income attributable to owners of the Company	-	-
Other comprehensive income attributable to the non-controlling interests	-	-
Other comprehensive income for the year	-	-
Total comprehensive income attributable to owners of the Company	26,585	29,133
Total comprehensive income attributable to the non-controlling interests	9,778	10,715
Total comprehensive income for the year	36,363	39,848
Dividends paid to non-controlling interests	-	-
Net cash inflow from operating activities	40,607	47,280
Net cash used in investing activities	(65,368)	(247,075)
Net cash inflow from financing activities	19,729	150,000
Net cash outflow	(5,032)	(49,795)

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

19. Investments in subsidiaries - continued

19.2 Details of non-wholly owned subsidiaries that have material non-controlling interests - continued

CNOOC Tianye	2013 RMB'000	2012 RMB'000
Current assets	290,624	272,322
Non-current assets	2,687,491	2,930,416
Current liabilities	(596,258)	(1,273,519)
Non-current liabilities	(23,964)	(48,590)
Equity attributable to owners of the Company	2,175,628	1,692,566
Non-controlling interests	182,265	188,063

	2013 RMB'000	2012 RMB'000
Revenue	1,553,371	1,632,197
Expenses	(1,591,570)	(1,806,580)
Loss for the year	(38,199)	(174,383)
Loss attributable to owners of the Company	(32,401)	(156,945)
Loss attributable to the non-controlling interests	(5,798)	(17,438)
Loss for the year	(38,199)	(174,383)
Other comprehensive income attributable to owners of the Company	-	-
Other comprehensive income attributable to the non-controlling interests	-	-
Other comprehensive income for the year	-	-
Total comprehensive expenses attributable to owners of the Company	(32,401)	(156,945)
Total comprehensive expenses attributable to the non-controlling interests	(5,798)	(17,438)
Total comprehensive expenses for the year	(38,199)	(174,383)
Dividends paid to non-controlling interests	-	-
Net cash inflow from operating activities	56,395	362,707
Net cash inflow (outflow) from investing activities	14,161	(65,465)
Net cash used in financing activities	(77,013)	(293,994)
Net cash (outflow) inflow	(6,457)	3,248

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

19. Investments in subsidiaries - continued

19.2 Details of non-wholly owned subsidiaries that have material non-controlling interests - continued

Hubei Dayukou Chemical Co., Ltd.	2013 RMB'000	2012 RMB'000
Current assets	765,714	1,035,625
Non-current assets	2,517,945	2,505,293
Current liabilities	(2,005,649)	(2,158,712)
Non-current liabilities	(24,793)	(6,049)
Equity attributable to owners of the Company	1,052,326	1,155,559
Non-controlling interests	200,891	220,598

	2013 RMB'000	2012 RMB'000
Revenue	2,171,628	1,737,208
Expenses	(2,294,567)	(1,710,513)
(Loss) Profit for the year	(122,939)	26,695
(Loss) profit attributable to owners of the Company	(103,232)	22,416
(Loss) profit attributable to the non-controlling interests	(19,707)	4,279
(Loss) profit for the year	(122,939)	26,695
Other comprehensive income attributable to owners of the Company	-	-
Other comprehensive income attributable to the non-controlling interests	-	-
Other comprehensive income for the year	-	-
Total comprehensive (expenses) income attributable to owners of the Company	(103,232)	22,416
Total comprehensive (expenses) income attributable to the non-controlling interests	(19,707)	4,279
Total comprehensive (expenses) income for the year	(122,939)	26,695
Dividends paid to non-controlling interests	-	-
Net cash inflow (outflow) from operating activities	624,653	(221,626)
Net cash used in investing activities	(270,352)	(397,517)
Net cash (used in) inflow from financing activities	(349,823)	620,969
Net cash inflow	4,478	1,826

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

19. Investments in subsidiaries - continued

19.2 Details of non-wholly owned subsidiaries that have material non-controlling interests - continued

China BlueChemical Yichang Mining Ltd.	2013 RMB'000	2012 RMB'000
Current assets	38,240	49,588
Non-current assets	377,716	368,024
Current liabilities	(3,451)	(5,035)
Non-current liabilities	-	-
Equity attributable to owners of the Company	210,378	210,414
Non-controlling interests	202,127	202,163

	2013 RMB'000	2012 RMB'000
Revenue	-	-
Expenses	(72)	(4,325)
Loss for the year	(72)	(4,325)
(Loss) profit attributable to owners of the Company	(37)	(2,206)
(Loss) profit attributable to the non-controlling interests	(35)	(2,119)
(Loss) profit for the year	(72)	(4,325)
Other comprehensive income attributable to owners of the Company	-	-
Other comprehensive income attributable to the non-controlling interests	-	-
Other comprehensive income for the year	-	-
Total comprehensive expenses attributable to owners of the Company	(37)	(2,206)
Total comprehensive expenses attributable to the non-controlling interests	(35)	(2,119)
Total comprehensive expenses for the year	(72)	(4,325)
Dividends paid to non-controlling interests	-	-
Net cash inflow (outflow) from operating activities	(1,478)	(2,502)
Net cash used in investing activities	(25,049)	(83,685)
Net cash (used in) inflow from financing activities	-	113,680
Net cash inflow	(26,527)	27,493

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

20. Investment in joint ventures

Group	2013 RMB'000	2012 RMB'000 (Restated)
Unlisted investments	**213,635**	121,151

The above joint venture is accounted for using the equity method in these consolidated financial statement.

Particulars of the joint ventures of the Group are set out as follows:

Name of the entity	Place and date of incorporation and operation	Registered capital RMB'000		Percentage of equity interest attributableto the Company	Principal activities
Guizhou Jinlin (貴州錦麟化工有限責任公司)	PRC 12 April 2007	441,398	Direct Indirect	45.00 -	Phosphate mining and processing manufacture and sales of phosphate ore and chemical products
Yantai Logistics (煙台港化肥物流有限公司)	PRC 20 July 2011	122,500	Direct Indirect	27.00 -	Cargo handling, warehousing, packaging and domestic freight forwarding

The aggregate financial information in respect of the Group's joint ventures is set out below since no single joint venture is individually material:

	2013 RMB'000	2012 RMB'000 (Restated)
The Group's share of (loss) profit	**(263)**	68
The Group's share of other comprehensive income	**-**	-
The Group's share of total comprehensive (expenses) income	**(263)**	68
Aggregate carrying amount of the Group's investment in the joint ventures	**213,635**	121,151

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

21. Investment in associates

Group	2013 RMB'000	2012 RMB'000
Cost of investment in associates	821,009	637,900
Share of post-acquisition profits and other comprehensive income, net of dividends received	7,083	16,533
	828,092	654,433

The above associate is accounted for using the equity method in these consolidated financial statements.

The Group's other receivables with its associates are disclosed in note 27.

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

Name of the entity	Place and date of incorporation and operation	Registered capital '000		Percentage of equity interest attributable to the Company	Principal activities
Shanxi Hualu Yangpoquan Coal Mining Co., Ltd. (山西華鹿陽坡泉煤礦有限公司)	PRC 3 August 2001	RMB52,000	Direct Indirect	49.00 -	Mining and sale of coal
China Basuo Overseas Shipping Agency Co., Ltd. (中國八所外輪代理有限公司)	PRC 24 May 2000	RMB1,800	Direct Indirect	- 36.56	Provision of overseas shipping services
Western Potash Corporation (西鉀公司)	Canada 5 April 2007	CA$140,944	Direct Indirect	- 19.90	Acquisition, evaluation, and exploration of mineral properties containing potash

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

	2013 RMB'000	2012 RMB'000
The Group's share of (loss) profit	(9,350)	86
The Group's share of other comprehensive income	-	-
The Group's share of total comprehensive (expenses) income	(9,350)	86
Dividends received from the associate during the year	100	-
Aggregate carrying amount of the Group's investment in the associates	828,092	654,433

Shanxi HuaLu Yangpoquan Coal Mining Co., Ltd. ("Yangpoquan Coal"), an associate in which the Company holds 49% equity interest, was unable to resume production since its suspension of work in March 2010. Pursuant to the requirements of IAS 28 and IAS36, where an indication of impairment exists, the asset's recoverable amount is estimated. Management conducted an appraisal of Yangpoquan Coal as at 31 December 2013 and estimated recoverable amount of Yangpoquan Coal as at 31 December 2013 was RMB1,796,702,000. Accordingly, the recoverable amount of the investment on a pro rata basis was higher than its carrying value of RMB653,200,000.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

22. Available-for-sale investment

Group

	2013 RMB'000	2012 RMB'000 (Restated)
Non-current		
Unlisted equity investment, at cost	600	600

23. Deferred taxation

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:

Group

	2013 RMB'000	2012 RMB'000 (Restated)
Deferred tax assets	198,413	139,319
Deferred tax liabilities	(62,175)	(72,775)
	136,238	66,544

Company

	2013 RMB'000	2012 RMB'000
Deferred tax assets	33,760	20,802

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

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

23. Deferred taxation - continued

Group

	Accelerated tax depreciation	Impairment losses	Financial Wages and salaries	Fair value instruments fair value changes	adjustment on acquisition of subsidairies	Unused tax losses	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2012 (Restated)	17,733	30,057	14,763	-	(70,656)	30,966	15,539	38,402
(Charge) credit to profit or loss	(2,548)	31,873	(1,805)	-	3,930	(3,523)	215	28,142
As at 31 December 2012 and 1 January 2013 (Restated)	**15,185**	**61,930**	**12,958**	**-**	**(66,726)**	**27,443**	**15,754**	**66,544**
(Charge) credit to profit or loss	**(1,494)**	**27,974**	**(5,156)**	**11,871**	**4,551**	**36,983**	**(5,035)**	**69,694**
As at 31 December 2013	**13,691**	**89,904**	**7,802**	**11,871**	**(62,175)**	**64,426**	**10,719**	**136,238**

As at 31 December 31, the Group has unused tax losses of RMB313,467,000 (31 December 2012: RMB112,315,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB257,706,000 (31 December 2012: RMB109,773,000) of such losses. No deferred tax asset has been recognised in respect of the remaining RMB55,761,000 (31 December 2012: RMB2,542,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of RMB55,761,000 (31 December 2012: RMB2,542,000) that will expire in 5 years.

At the end of the reporting period, the Group has deductible temporary differences of RMB 31,308,000 (31 December 2012: RMB3,960,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Company

	Accelerated tax depreciation	Impairment losses	Wages and salaries	Financial instruments fair value changes	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2012	19,349	734	1,810	-	21,893
Charged to profit or loss	(1,091)	-	-	-	(1,091)
As at 31 December 2012 and 1 January 2013	**18,258**	**734**	**1,810**	**-**	**20,802**
Credited to profit or loss	**1,087**	**-**	**-**	**11,871**	**12,958**
As at 31 December 2013	**19,345**	**734**	**1,810**	**11,871**	**33,760**

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

24. Inventories

Group

	2013 RMB'000	2012 RMB'000 (Restated)
Raw materials and spare parts	**498,352**	791,769
Work in progress	**282,754**	225,075
Finished goods	**584,699**	616,350
	1,365,805	1,633,194

Company

	2013 RMB'000	2012 RMB'000
Raw materials and spare parts	**163,580**	184,536
Work in progress	**19,822**	16,026
Finished goods	**16,720**	25,952
	200,122	226,514

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

25. Trade receivables

Sales of the Group's fertilisers including 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.

Group	2013 RMB'000	2012 RMB'000 (Restated)
Trade receivables	111,596	96,603
Less: allowance for doubtful debts	(7)	(83)
	111,589	96,520

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:

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

The movements in the allowance for doubtful debts are as follows:

	2013 RMB'000	2012 RMB'000
At 1 January	83	83
Write-off	(76)	-
At 31 December	7	83

Included in the above allowance for doubtful debts is an allowance made for individually impaired trade receivables with an aggregate carrying amount of RMB7,000 (2012:RMB83,000), which were in financial difficulties and none of the receivables is expected to be recovered.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

25. Trade receivables - continued

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

Group	2013 RMB'000	2012 RMB'000 (Restated)
Neither past due nor impaired	82,966	93,969
Less than one month past due	27,966	990
One to three months past due	657	1,561
	111,589	96,520

Receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, the management is of the opinion that no allowance for doubtful debts is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

As at 31 December 2013, the amount due from CNOOC (the "ultimate holding company"), 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.

Company	2013 RMB'000	2012 RMB'000
Trade receivables	179,523	26,886
Less: allowance for doubtful debts	(7)	(7)
	179,516	26,879

An ageing analysis of the trade receivables of the Company as at the end of the reporting year, based on invoice dates and net of allowance for doubtful debts, is as follows:

	2013 RMB'000	2012 RMB'000
Within six months	71,315	26,178
Over six months but within one year	108,201	701
	179,516	26,879

As at 31 December 2013, the amounts due from subsidiaries of the Company and from CNOOC group companies included in the above trade receivable balances were RMB122,490,000 (2012: RMB1,004,000) and RMB3,986,000 (2012: RMB4,193,000), respectively. The amounts due are unsecured, non-interest-bearing and repayable on similar credit terms to those offered to the major customers of the Company.

Included in the above allowance for doubtful debts is an allowance made for individually impaired trade receivables with an aggregate carrying amount of RMB7,000 (2012:RMB7,000).

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

25. Trade receivables - continued

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

Company	2013 RMB'000	2012 RMB'000
Neither past due nor impaired	**178,696**	26,178
Less than one month past due	**820**	701
	179,516	26,879

26. Bills receivable

The bills receivable of the Group and the Company as at 31 December 2013 and 2012 are all mature within six months.

As at 31 December 2013, the amounts due from subsidiaries of the Company included in the above bills receivable balances were RMB52,500,000 (2012: RMBNil).

At 31 December 2013, the Group has transferred bills receivables to its suppliers to settle its payables through endorsing the bills to its suppliers amounted to RMB41,824,000. In the opinion of the directors of the Company, the Group has derecognised these bills receivables 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 2013, 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 RMB41,824,000.

All the bills receivables endorsed to suppliers of the Group have a maturity date of less than six months from the end of the reporting period.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

27. Prepayments, deposits and other receivables

Group	2013 RMB'000	2012 RMB'000 (Restated)
Prepayments	179,658	165,930
Prepaid lease payments	15,484	13,012
Deposits and other receivables	126,611	119,802
Value Added Tax ("VAT") recoverable	250,873	97,680
	572,626	396,424

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 ventures included in the above can be analysed as follows:

	2013 RMB'000	2012 RMB'000 (Restated)
Ultimate holding company	1,355	1
CNOOC group companies	26,066	71,413
Associates	8,155	7,927
Joint ventures	807	4,996
	36,383	84,337

The amounts due are unsecured, non-interest-bearing and have no fixed terms of repayment.

Company	2013 RMB'000	2012 RMB'000
Prepayments	28,627	14,038
Prepaid lease payments	1,717	2,017
Deposits and other receivables	69,963	95,208
	100,307	111,263

The amounts due from the ultimate holding company, CNOOC group companies, joint ventures and subsidiaries of the Company included in the above can be analysed as follows:

	2013 RMB'000	2012 RMB'000
Ultimate holding company	1,355	1
CNOOC group companies	24,596	26,632
Joint ventures	807	4,996
Subsidiaries	27,336	42,711
	54,094	74,340

The amounts due are unsecured, non-interest-bearing and have no fixed terms of repayment.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

28. Loans receivables

Company

As at 31 December 2013, loans receivable of the Company represented the following:

- Entrusted loan with an amount of RMB50,000,000 which was provided to Hubei Dayukou Chemical Co., Ltd. during the year and is unsecured, bears interest at a rate of 4.500% per annum and is repayable on 12 April 2014;
- Entrusted loan with an amount of RMB83,000,000 which was provided to CNOOC Guangxi Fudao Agricultural Means of Production Limited ("Guangxi Fudao") during the year and is unsecured, bears interest at a rate of 5.600% per annum and is repayable on 9 June 2014;
- Entrusted loan with an amount of RMB5,000,000 which was provided to Guangxi Fudao Chemical Limited ("Fudao Chemical") during the year and is unsecured, bears interest at a rate of 5.600% per annum and is repayable on 27 March 2014;
- Entrusted loan with an amount of RMB200,000,000 which was provided to CNOOC Huahe Coal Chemical Ltd. ("CNOOC Huahe") during the year and is unsecured, bears interest at a rate of 4.500% per annum and is repayable on 18 September 2014;
- Entrusted loan with an amount of RMB305,000,000 which was provided to CNOOC Huahe during the year and is unsecured, bears interest at a rate of 4.500% per annum and is repayable on 25 July 2014;
- Entrusted loan with an amount of RMB98,000,000 which was provided to CNOOC Huahe during the year and is unsecured, bears interest at a rate of 4.500% per annum and is repayable on 27 December 2014;
- Entrusted loan with an amount of RMB35,150,000 which was provided to CNOOC Hualu Shanxi Coal Chemical Co., Ltd. ("CNOOC Hualu") during the year and is unsecured, bears interest at a rate of 5.600% per annum and is repayable on 20 April 2014;
- Entrusted loan with an amount of RMB4,000,000 which was provided to CNOOC (Hainan) E&P Gas Limited ("CNOOC E&P") during the year and is unsecured, bears interest at a rate of 2.700% per annum and is repayable on 16 April 2014;
- Entrusted loan with an amount of RMB85,000,000 which was provided to CNOOC Tianye during the year and is unsecured, bears interest at a rate of 4.200% per annum and is repayable on 26 April 2014;
- Entrusted loan with an amount of RMB15,000,000 which was provided to CNOOC Tianye during the year and is unsecured, bears interest at a rate of 4.200% per annum and is repayable on 25 June 2014;
- Entrusted loan with an amount of RMB123,000,000 which was provided to CNOOC Tianye during the year and is unsecured, bears interest at a rate of 4.200% per annum and is repayable on 2 August 2014;
- Entrusted loan with an amount of RMB80,000,000 which was provided to CNOOC Tianye during the year and is unsecured, bears interest at a rate of 4.200% per annum and is repayable on 26 August 2014;

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

28. Loans receivables - continued

Company - continued

As at 31 December 2012, loans receivable of the Company represented the following:

- Entrusted loan with an amount of RMB875,000,000 which was provided to CNOOC Tianye during the year and was unsecured, bears interest at a rate of 3.920% per annum and was repayable on 25 June 2013;
- Entrusted loan with an amount of RMB150,000,000 which was provided to CNOOC Huahe during the year and was unsecured, bears interest at a rate of 5.600% per annum and was repayable on 18 January 2013;
- Entrusted loan with an amount of RMB200,000,000 which was provided to CNOOC Huahe during the year and was unsecured, bears interest at a rate of 5.600% per annum and was repayable on 25 April 2013;
- Entrusted loan with an amount of RMB150,000,000 which was provided to CNOOC Huahe during the year and wass unsecured, bears interest at a rate of 5.600% per annum and was repayable on 17 April 2013;
- Entrusted loan with an amount of RMB38,500,000 which was provided to CNOOC Huahe during the year and was unsecured, bears interest at a rate of 5.600% per annum and was repayable on 25 June 2013;
- Entrusted loan with an amount of RMB310,000,000 which was provided to CNOOC Huahe during the year and was unsecured, bears interest at a rate of 5.600% per annum and was repayable on 25 June 2013;
- Entrusted loan with an amount of RMB10,000,000 which was provided to CNOOC Hualu during the year and was unsecured, bears interest at a rate of 5.600% per annum and was repayable on 5 January 2013;
- Entrusted loan with an amount of RMB5,000,000 which was provided to CNOOC Hualu during the year and was unsecured, bears interest at a rate of 5.600% per annum and was repayable on 5 June 2013;
- Entrusted loan with an amount of RMB131,000,000 which was provided Guangxi Fudao during the year and was unsecured, bears interest at a rate of 5.600% per annum and was repayable on 23 June 2013;
- Entrusted loan with an amount of RMB10,000,000 which was provided to Fudao Chemical during the year and was unsecured, bears interest at a rate of 5.600% per annum and was repayable on 27 March 2013;
- Entrusted loan with an amount of RMB5,500,000 which was provided to CNOOC E&P during the year and was unsecured, bears interest at a rate of 2.700% per annum and was repayable on 5 January 2013;

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

29. Cash and cash equivalents and pledged bank deposits

Group	2013 RMB'000	2012 RMB'000 (Restated)
Cash and bank and financial institution balances	2,982,579	2,567,661
Less: Pledged bank deposits	(5,665)	(3,995)
Time deposits with original maturity over three months	(42,944)	-
Cash and cash equivalents in the consolidated statement of financial position and statement of cash flows	2,933,970	2,563,666

As at 31 December 2013, the Group's pledged bank deposits of RMB5,665,000 (2012:RMB3,995,000) was deposited with banks mainly for issuing bill receivables and are therefore classified as pledged bank deposits.

The Group's cash and bank balances were denominated in RMB as at 31 December 2013 and 2012, except for amounts of RMB22,801,000 (2012: RMB5,106,000) which was translated from USD3,740,000 (2012: USD812,000); and RMB3,082,000 (2012: RMB2,474,000) which was translated from HKD3,921,000 (2012: HKD3,051,000) and RMB44,362,000 (2012:Nil) which was translated from CAD7,748,000 (2012:Nil).

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 2013, included in the Group's cash and cash equivalents were RMB572,920,000 (2012: RMB598,665,000) deposited in CNOOC Finance Corporation Limited ("CNOOC Finance"), a subsidiary of the ultimate holding company and a licensed financial institution.

Company	2013 RMB'000	2012 RMB'000
Cash and bank balances	1,166,644	1,268,562
Financial institutions depoesits	224,207	199,817
Total	1,390,851	1,468,379

The Company's cash and bank balances were denominated in RMB as at 31 December 2013 and 2012, except for amounts RMB607,000 (2012: Nil) which was translated from USD100,000 (2012: Nil); and RMB3,004,000 (2012: RMB2,474,000) which was translated from HKD3,821,000 (2012: HKD3,051,000). The Company is subject to the same exchange control requirements as the Group as detailed above.

As at 31 December 2013, included in the Company's cash and cash equivalents were RMB224,207,000 (2012:RMB199,817,000) deposited in CNOOC Finance.

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 the Company, and earn interest at the respective short-term time deposit rates.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

30. Issued capital

	Number of shares '000	Nominal value RMB'000
Registered capital	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
- Other legal person shares	75,000	75,000
Unlisted foreign shares of RMB1 each	25,000	25,000
H shares of RMB1 each	1,771,000	1,771,000
As at 31 December 2013 and 2012	**4,610,000**	**4,610,000**

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

31. Reserves and proposed dividends

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 7 to 8 of the consolidated financial statements.

The Company's movement in reserves and proposed dividends for the years ended 31 December 2013 and 2012 are as follows:

Company

	Note	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Special reserve RMB'000	Retained profits RMB'000	Proposed dividend RMB'000	Total RMB'000
As at 1 January 2013		1,366,392	752,357	3,345	3,277,180	691,500	6,090,774
Profit for the year		-	-	-	1,276,811	-	1,276,811
Total comprehensive income for the year		-	-	-	1,276,811	-	1,276,811
Appropriation and utilisation of safety fund, net		-	-	(2,736)	2,736	-	-
Transfer from retained profits		-	126,449	-	(126,449)	-	-
Proposed 2013 final dividend	13	-	-	-	(645,400)	645,400	-
Final 2012 dividend declared		-	-	-	-	(691,500)	(691,500)
As at 31 December 2013		1,366,392*	878,806*	609*	3,784,878*	645,400	6,676,085

* These reserve accounts comprise the company's reserves of RMB6,030,685,000 (2012: RMB5,399,274,000) in the Company's statement of financial position.

	Note	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Special reserve RMB'000	Retained profits RMB'000	Proposed dividend RMB'000	Total RMB'000
As at 1 January 2012		1,366,392	611,377	10,939	2,678,890	737,600	5,405,198
Profit for the year		-	-	-	1,423,176	-	1,423,176
Total comprehensive income for the year		-	-	-	1,423,176	-	1,423,176
Appropriation and utilisation of safety fund, net		-	-	(7,594)	7,594	-	-
Transfer from retained profits		-	140,980	-	(140,980)	-	-
Proposed 2012 final dividend	13	-	-	-	(691,500)	691,500	-
Final 2011 dividend declared		-	-	-	-	(737,600)	(737,600)
As at 31 December 2012		1,366,392*	752,357*	3,345*	3,277,180*	691,500	6,090,774

* These reserve accounts comprise the company's reserves of RMB5,399,274,000 in the company's statement of financial position.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

32. Benefit liability

CNOOC Tianye, the Company's 92.27%-owned subsidiary, provides post-employment allowances covering substantially all of its employees, and also early retirement benefits to qualifying retirees.

Group

	2013 RMB'000	2012 RMB'000
Post-employment allowances	**13,844**	15,061
Early retirement benefits	**10,120**	33,529
Total benefit liability	**23,964**	48,590

Amounts recognised in the comprehensive income and included in the consolidated statement of financial position in respect of the post-employment allowances are as follows:

Group

	Post-employment allowances RMB'000
As at 1 January 2012	16,144
Current service cost	157
Net interest cost	526
Benefits paid	(1,766)
As at 31 December 2012 and 1 January 2013	**15,061**
Current service cost	**90**
Net interest cost	**333**
Benefits paid	**(1,640)**
As at 31 December 2013	**13,844**

The principal assumptions used in determining post-employment allowances of the Group as at 31 December 2013 are shown below:

	2013
Discount rate	**4.50%**
Inflation rate	**2.00%**

The directors of the Company have reviewed the actuarial valuation as at 31 December 2013 which was performed by Watson Wyatt Consultant (Shanghai) Ltd., an independent actuary service provider, using the valuation method detailed under the heading "Employee benefits" in note 3, and considered that the Group's current provision for the net benefit expenses was adequate as at 31 December 2013. The directors of the Company do not expect significant changes in principal assumptions.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

33. Interest-bearing bank borrowings

Group

	2013 RMB'000	2012 RMB'000
Non-current		
Unsecured bank loans repayable:		
In fifth year	20,000	-
More than five years	11,000	-
	31,000	-

The unsecured bank loans have effective interest rates of 6.40%-6.55%, payable within 2017 and 2021.

34. Deferred revenue

Deferred revenue represents government grants. The deferred revenue generated from government grants is recognised in the consolidated statement of profit or loss according to the depreciation periods of the related assets and the periods in which the related costs incurred.

Group	2013 RMB'000	2012 RMB'000 (Restated)
Balance at beginning of the year	37,900	14,734
Additions	98,953	23,189
Credited to the consolidated statement of profit or loss during the year	(1,176)	(23)
Balance at end of the year	135,677	37,900

Company	2013 RMB'000	2012 RMB'000
Balance at beginning of the year	-	-
Additions	9,900	-
Balance at end of the year	9,900	-

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

35. 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:

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

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 2012, the amounts due to the ultimate holding company included in the above trade payable and bills payable balances amounted to RMB50,000.

Company	2013 RMB'000	2012 RMB'000
Within six months	**121,623**	150,351
Over six months but within one year	**11,126**	2,064
Over one year but within two years	**1,390**	-
	134,139	152,415

As at 31 December 2013, the amounts due to CNOOC group companies included in the above trade payable and bills payable balances amounted to RMB106,208,000 (2012: RMB115,993,000). The amounts due to subsidiaries of the Company included in the above trade payable and bills payable balances amounted to RMB226,000 (2012: RMB10,986,000).

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

36. Other payables and accruals

Group

	2013 RMB'000	2012 RMB'000 (Restated)
Advances from customers	475,273	431,094
Accruals	5,163	10,781
Accrued payroll	247,593	223,712
Other payables	312,303	324,113
Long-term liabilities due within one year	1,798	1,798
Interest payable	109	-
Payable to government	84,883	85,024
Tax payables	98,188	18,155
Port construction fee payable	164,656	164,656
Payables in relation to the construction and purchase of property, plant and equipment	408,636	470,592
	1,798,602	1,729,925

The amounts due to the ultimate holding company and CNOOC group companies included in the above can be analysed as follows:

	2013 RMB'000	2012 RMB'000
Due to the ultimate holding company	-	585
Due to CNOOC group companies	79,497	66,929
	79,497	67,514

Company

	2013 RMB'000	2012 RMB'000
Advances from customers	71,776	99,207
Accrued payroll	56,954	48,570
Tax payables	25,435	2,661
Other payables	110,893	132,091
Payables in relation to the construction and purchase of property, plant and equipment	10,319	41,275
	275,377	323,804

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

36. Other payables and accruals - continued

Company - continued

The amounts due to CNOOC group companies and subsidiaries of the Company included in the above can be analysed as follows:

	2013 RMB'000	2012 RMB'000
Due to CNOOC group companies	5,101	8,485
Due to subsidiaries	80,613	108,324
	85,714	116,809

The amounts due are unsecured, non-interest-bearing and have no fixed terms of repayment.

37. Operating lease arrangements

(i) As lessor

Group

The Group leases certain of its buildings under operating lease arrangements with leases negotiated for terms from one year to twenty years to CNOOC group companies.

As at 31 December 2013 and 2012, the Group had total future minimum lease receivables from CNOOC New Energy (Hainan) Bio-energy & Chemical Co., Ltd. and CNOOC Green Materials Ltd., both of which are subsidiaries of CNOOC, under non-cancellable operating leases falling due as follows:

	2013 RMB'000	2012 RMB'000 (Restated)
Within one year	453	337
In the second to fifth years, inclusive	1,511	1,347
After five years	3,387	3,567
	5,351	5,251

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

37. Operating lease arrangements - continued

(i) As lessor - continued

Company

The Company leases certain of its buildings under operating lease arrangements to its subsidiaries and CNOOC group companies with leases negotiated for terms from one year to twenty years.

As at 31 December 2013 and 2012, the Company had total future minimum lease receivables from its subsidiaries, CNOOC New Energy (Hainan) Bio-energy & Chemical Co., Ltd. and CNOOC Green Materials Ltd. under noncancellable operating leases falling due as follows:

	2013	2012
	RMB'000	RMB'000
Within one year	1,748	1,123
In the second to fifth years, inclusive	3,508	4,257
After five years	4,943	5,735
	10,199	11,115

(ii) As lessee

Group

The Group leases certain of its properties and vehicles under operating lease arrangements. Leases for properties are negotiated for terms ranging from one month to thirty years, and those for vehicles are for terms ranging from one month to four years.

At 31 December 2013 and 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2013	2012
	RMB'000	RMB'000
Within one year	12,748	9,511
In the second to fifth years, inclusive	4,789	6,675
After five years	1,169	1,932
	18,706	18,118

As at 31 December 2013 and 2012, the Company had no significant future minimum lease payments under noncancellable operating leases.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

38. Commitments and contingent liabilities

Capital commitments

In addition to the operating lease commitments detailed in note 37(ii) above, the Group and the Company had the following capital commitments at the end of the reporting year:

Group

	2013 RMB'000	2012 RMB'000
Contracted, but not provided for:		
- Acquisition of plant and machinery	462,721	1,074,404
Authorised, but not contracted for:		
- Acquisition of plant and machinery	978,050	2,310,121
	1,440,771	3,384,525

Company

	2013 RMB'000	2012 RMB'000
Contracted, but not provided for:		
- Acquisition of plant and machinery	7,522	1,034
Authorised, but not contracted for:		
- Acquisition of plant and machinery	-	-
	7,522	1,034

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

39. Related party transactions

During the year, the Group had the following material transactions with related parties:

(1) Recurring

	Note	2013 RMB'000	2012 RMB'000
(A) Included in revenue, other income and gains			
(a) CNOOC group companies			
Sale of goods	(i)	**172,892**	132,197
Provision of transportation services	(ii)	**696**	1,008
Provision of packaging and assembling services	(ii)	**23,119**	26,829
Provision of logistics services	(iii)	**5,572**	5,092
Rental income	(iv)	**-**	344
(B) Included in cost of sales and other expenses			
(a) CNOOC group companies			
Purchase of raw materials	(i)	**2,346,633**	2,307,331
Transportation services	(ii)	**136,804**	179,961
Lease of offices	(iv)	**28,157**	27,195
Construction and installation services	(v)	**10,379**	37,163
Labor services	(vi)	**31,335**	22,516
Network services	(vi)	**5,179**	4,310
Logistics services	(vi)	**11,534**	2,380
(b) The ultimate holding company			
Labor services	(vi)	**43**	57
Network services	(vi)	**774**	791
(c) Included in finance income/costs			
CNOOC Finance			
Finance income	(vii)	**4,276**	4,888
Finance costs	(vii)	**-**	10,879

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

39. Related party transactions - continued

(1) Recurring - continued

Notes:

(i) These transactions were conducted in accordance with terms agreed among the Group, its associates and CNOOC group companies.

(ii) These services provided were based on mutually agreed terms.

(iii) The income from these services was determined by mutually agreed terms.

(iv) The rentals were based on mutually agreed terms.

(v) The construction and installation fees were determined by mutually agreed terms.

(vi) These services were charged based on mutually agreed terms.

(vii) Finance income/costs were based on mutually agreed terms.

(2) Non-recurring

	Note	2013 RMB'000	2012 RMB'000
Provision of utilities to CNOOC group companies	(i)	-	5,315
Fees and charges paid to CNOOC Finance	(ii)	4,954	6,629

Notes:

(i) The transactions were conducted in accordance with terms agreed between the Group and CNOOC group companies.

(ii) Fees and charges were based on mutually agreed terms.

Except for item in note 39(1)B(c), 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 2013

39. Related party transactions - continued

(3) Balances with related parties

Details for following balances are mainly set out in notes 25, 26, 27, 28, 29, 35 and 36. 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.

Group	Due from related parties		Due to related parties	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000
The ultimate holding company	1,355	1	-	635
CNOOC group companies (excluding CNOOC Finance)	60,390	85,219	288,811	292,176
Associates	8,155	7,927	-	-
Jointly-controlled entities	807	4,996	-	-
CNOOC Finance	-	-	111	160

Company	Due from related parties		Due to related parties	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000
The ultimate holding company	1,355	1	-	-
CNOOC group companies (excluding CNOOC Finance)	28,582	30,825	111,309	124,478
Jointly-controlled entities	807	4,996	-	-
Subsidiaries	1,285,476	1,928,715	94,260	133,079

As at 31 December 2013 and 2012, the deposits placed by the Group and the Company with CNOOC Finance are summarised below:

Group

	2013	2012
	RMB'000	RMB'000
Deposits placed by Group with CNOOC Finance	572,920	598,665

Company

	2013	2012
	RMB'000	RMB'000
Deposits placed by Group with CNOOC Finance	224,207	199,817

Further details of the deposits placed with CNOOC Finance are set out in note 29.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

39. Related party transactions - continued

(4) Compensation of key management personnel of the Group

	2013 RMB'000	2012 RMB'000
Short-term employee benefits	5,831	5,168
Post-employment benefits	182	265
Total compensation paid to key management personnel	6,013	5,433

Further details of directors' and supervisors' emoluments are set out in note 9.

(5) 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. The sales of goods and rendering of services to these SOEs, other than construction services as stated below, are individually not significant. The individually significant construction services provided by the SOE vendor is from an SOE, namely China National Chemical Engineering Group Corporation and its subsidiaries, in relation to the construction of Hegang Coal Chemical Project and the reconstruction of power project of CNOOC Tianye. For the year ended 31 December 2013, the Group has recorded in the additions to its property, plant and equipment for the purchases of construction services, with an aggregate amount of RMB105,594,000 (2012: RMB135,000,000). The related commitment as of 31 December 2013 amounts to RMB1,521,000 (2012: RMB270,000,000), which was included in the commitments in note 38 above.

In addition, the Group has certain of its cash, pledged bank deposits and time deposits and outstanding interest-bearing bank borrowings with certain state-owned banks in the PRC as at 31 December 2013, as summarised below:

Group

	2013 RMB'000	2012 RMB'000 (Restated)
Cash and cash equivalents (note 29)	2,933,970	2,563,666
Pledged bank deposits (note 29)	5,665	3,995
Time deposits (note 29)	42,944	-
	2,982,579	2,567,661
Long-term bank loans (note 33)	31,000	-

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 2013

40. Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting year are as follows:

Group

	2013		
	Loans and receivables	Available-for sale financial asset	Total
	RMB'000	RMB'000	RMB'000
Financial assets			
Available-for-sale investment	-	600	600
Trade receivables	111,589	-	111,589
Bills receivable	54,400	-	54,400
Financial assets included in deposits and other receivables	126,611	-	126,611
Pledged bank deposits	5,665	-	5,665
Time deposits	42,944	-	42,944
Cash and cash equivalents	2,933,970	-	2,933,970
	3,275,179	600	3,275,779

	2013		
	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	RMB'000	RMB'000	RMB'000
Financial liabilities			
Trade and bills payables	-	538,464	538,464
Financial liabilities included in other payables and accruals	-	970,587	970,587
Interest-bearing bank borrowings	-	31,000	31,000
Obligation arising from a put option to a non-controlling shareholder	92,794	-	92,794
Derivative financial instruments	47,485	-	47,485
Other long-term liabilities	-	26,879	26,879
	140,279	1,566,930	1,707,209

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

40. Financial instruments by catrfory - continued

Group - continued

	2012		
	Loans and receivables RMB'000 (Restated)	Available-for sale financial asset RMB'000	Total RMB'000
Financial assets			
Available-for-sale investment	-	600	600
Trade receivables	96,520	-	96,520
Bills receivable	83,890	-	83,890
Financial assets included in deposits and other receivables	119,802	-	119,802
Pledged bank deposits	3,995	-	3,995
Cash and cash equivalents	2,563,666	-	2,563,666
	2,867,873	600	2,868,473

	2012		
	Financial liabilities at fair value through profit or loss RMB'000 (Restated)	Financial liabilities at amortised cost RMB'000	Total RMB'000
Financial liabilities			
Trade and bills payables	-	428,382	428,382
Financial liabilities included in other payables and accruals	-	1,044,385	1,044,385
Other long-term liabilities	-	26,009	26,009
	-	1,498,776	1,498,776

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

40. Financial instruments by catrfory - continued

Company

	2013		
	Loans and receivables	Available-for sale financial asset	Total
	RMB'000	RMB'000	RMB'000
Financial assets			
Trade receivables	**179,516**	**-**	**179,516**
Bills receivable	**52,500**	**-**	**52,500**
Financial assets included in deposits and other receivables	**69,963**	**-**	**69,963**
Cash and cash equivalents	**1,390,851**	**-**	**1,390,851**
	1,692,830	**-**	**1,692,830**

	2013		
	Financial liabilities at fairvalue through profit or loss	Financial liabilities at amortised cost	Total
	RMB'000	RMB'000	RMB'000
Financial liabilities			
Trade and bills payables	**-**	**134,139**	**134,139**
Financial liabilities included in other payables and accruals	**-**	**121,212**	**121,212**
Obligation arising from a put option to a non-controlling shareholder	**92,794**	**-**	**92,794**
Derivative financial instruments	**47,485**	**-**	**47,485**
	140,279	**255,351**	**395,630**

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

40. Financial instruments by catrfory - continued

Company - continued

	2012		
	Loans and receivables	Available-for sale financial asset	Total
	RMB'000	RMB'000	RMB'000
Financial assets			
Trade receivables	26,879	-	26,879
Financial assets included in deposits and other receivables	95,208	-	95,208
Cash and cash equivalents	1,468,379	-	1,468,379
	1,590,466	-	1,590,466

	2012		
	Financial liabilities at fairvalue through profit or loss	Financial liabilities at amortised cost	Total
	RMB'000	RMB'000	RMB'000
Financial liabilities			
Trade and bills payables	-	152,415	152,415
Financial liabilities included in other payables and accruals	-	173,366	173,366
	-	325,781	325,781

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

41. Obligation arising from a put option to a non - controlling shareholder and derivative financial instruments

On 28 May 2013, the Company entered into an agreement (the "Agreement") with Benewood Holdings Corporation Limited ("Benewood"), a third party to incorporate CBC (Canada) Holding Corp ("CBC"). The Company and Benewood agreed to invest CA$24,000,000 (equivalent to approximately RMB141,363,000) and CA$16,000,000(equivalent to approximately RMB94,242,000) to hold 60% and 40% equity interest in CBC respectively. CBC is considered a subsidiary of the Company as the Company controls CBC unilaterally by its 60% voting rights.

On 20 June 2013, CBC subscribed 45,040,876 newly issued common shares of Western Potash Corporation ("WPC"), a company listed on Toronto Stock Exchange, at a price of CA$0.71 per share and the total consideration is CA$31,979,000 (approximately RMB192,389,000). After completion of the transaction, CBC held 19.9% of all issued and outstanding common shares in WPC and WPC is accounted for as an associate of the Company.

Pursuant to terms in the Agreement, the Company has granted a put option (the "Put Option") to Benewood, exercisable at any time after one year from 18 June 2013 and prior to the earlier of:

i. two years from the date of 18 June 2013; and

ii. ten business days after the date on which a decision to mine ("Decision to Mine") is made by WPC; provided further that, if a decision to mine is made by WPC prior to the one year anniversary from 18 June 2013, Benewood may exercise the Put Option within ten business days from the date of the decision to mine (the "Exercise Year").

Benewood have the right to sell to the Company, and require the Company to acquire all of the Benewood's equity interest of CBC during the Exercise Year at a cash consideration. The consideration will consist of the initial investment made by Benewood at an amount of CA$16,000,000 plus a yield at London InterBank Offered Rate ("LIBOR") for U.S. dollar plus 3.5%.

At initial recognition, the obligation arising from the Put Option to the Benewood represents the present value of the obligation to deliver the share redemption amount at discount rate of 3.91%, based on the interest yield curve of LIBOR, amounting to approximately CA$16,000,000 (equivalent to RMB94,242,000). This amount has been recognised as a liability in the consolidated statement of financial position with a corresponding debit to the non-controlling interests. The fair value of the liability as at 31 December 2013 approximated CA$16,206,000(equivalent to RMB92,794,000) was determined based on discounted cash flow method.

Under the same Agreement, Benewood granted a call option (the "Call Option") to the Company, which is exercisable at any time prior to the earlier of (a) two years from the date of 18 June 2013; and (b) ten business days after the date on which a Decision to Mine is made by Western; in events of the following Conditional Events:

i. Benewood fails to contribute its full pro rata share of financing required by an adopted program and budget of CBC; and

ii. the Company and Benewood fail to agree in respect of a future investment in WPC or any future cooperation between the CBC and WPC with respect to joint development of the Milestone Project; or

iii. a decision is made by the board of directors of CBC to transfer to a third party all of the shareholding interest held by the CBC in Western on or prior to the second anniversary of 18 June 2013

Notwithstanding the abovementioned (b), if, the Company and Benewood are unable to agree on the future development plan of the CBC prior to the expiration of the Call Option for any reason, the Company may exercise of the Call Option on the day of such expiry.

The Put Option which will be settled other than by exchange of fixed amount of cash for a fixed number of shares of a subsidiary and Call Option are accounted for as derivative financial instruments and are recognised at fair value in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*. The fair value of the Put Option and Call Option is nil upon initial recognition and approximates to RMB47,485,000 as at 31 December 2013.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

41. Obligation arising from a put option to a non - controlling shareholder and derivative financial instruments - continued

The fair values of the Put Option and Call Option as at 31 December 2013 have been determined by using a Black-Scholes option pricing model with the following assumptions:

	CA$'000
Exercise price	16,951
Share price	8,685
Time to maturity	1 year
Risk free rate	0.984%
Volatility	66.48%
Dividend yield	0%
Probability of Conditional Events occur	20%

(i) Time to maturity was estimated as the remaining number of years until the expected exercise time as estimated by the management

(ii) The risk free rate was extracted from the Canada Sovereign

(iii) The volatility is estimated with reference to historical volatility of the listed shares of WPC

42. Fair value and fair value hierarchy

The directors 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 following methods and assumptions were used to estimate the fair values:

The fair values of trade receivables, bills receivable, financial assets included in prepayments, deposits and other receivables, pledged bank deposits, time deposits, cash and cash equivalents, trade payables, bills payable, financial liabilities included in other payables and accruals, and an amount due to the ultimate holding company approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

The recurring fair value measurement and fair value hierarchy for the derivative financial instrument and obligation arising from put option granted to a non-controlling shareholder, are as follows:

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

42. Fair value and fair value hierarchy - continued

Group and Company

Financial liabilities	Fair value as at 31 Dec 2013 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Put option and Call option classified as derivative financial instruments	47,485	Level 3	Black-Scholes option pricing model. key inputs include expected volatility and, expected life of the option	Expected volatility Expected life of the option	The higher volatility, the higher the fair value (note i) The longer life, the higher the fair value (note ii)
Obligation arising from a put option to a non-controlling shareholder	92,794	Level 2	Discounted cash flow. Key input includes discount rate of interest yield curve of LIBOR	N/A	N/A

Note i: If the expected volatility to the valuation model were 2% higher/lower while all the other variables were held constant, the carrying amount of the derivative financial instruments would increase/decrease by approximate RMB259,000/RMB252,000.

Note ii: If the expected life to the valuation model were 0.5 year longer/shorter while all the other variables were held constant, the carrying amount of the derivative financial instruments would increase/decrease by approximate RMB1,635,000/RMB1,625,000.

Reconciliation of Level 3 fair value measurements of derivative financial instruments

	31 December 2013 RMB'000
Upon issuance of Put Option and Call Option	-
Fair value loss recognised in profit or loss	47,485
At 31 December 2013	47,485

The fair value loss for the year in the profit or loss related to derivative financial instruments held at the end of the reporting year, and is presented as "other expenses" in consolidated statement of profit or loss.

The management has set up a valuation team, which is headed up 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 Group 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 committee'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.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

43. Financial risk management objectives and policies

The Group's principal financial instruments comprise interest-bearing bank 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 3.

(i) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

As at 31 December 2013, the Group's interest-bearing bank borrowings bear variable interest rates amounted to RMB31,000,000 (2012: Nil).

The interest rates and the terms of repayment of the Group's bank borrowings are disclosed in note 33.

If interest rate had been 50 basis points higher/lower based on and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2013 would be decreased/increased by approximately RMB154,000(2012: decreased/increased by RMB Nil).

(ii) Foreign currency risk

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities		Assets	
	31/12/2013	31/12/2012	**31/12/2013**	13/12/2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**20,121**	-	**22,801**	5,106
HKD	**-**	-	**3,082**	2,474
CAD	**-**	-	**44,362**	-

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 6% (2012: 10%) 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 HKD and USD 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 2013

43. Financial risk management objectives and policies - continued

(ii) Foreign currency risk - continued

Foreign Currency sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in USD, HKD and CAD.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against USD, HKD and CAD respectively. 5% (2012:5%) 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. The sensitivity analysis includes outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as hedging instruments in cash flow hedges. A negative number below indicates an increase in profit or equity where the RMB strengthen against USD, HKD and CAD. For a 5% (2012:5%) weakening of the RMB against USD, HKD and CAD, there would be an equal and opposite impact on the profit or equity, and the balances below would be positive.

	Impact of USD		Impact of HKD		Impact of CAD	
	31/12/2013	31/12/2012	**31/12/2013**	31/12/2012	**31/12/2013**	31/12/2012
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Sensitivity rate	**5%**	5%	**5%**	5%	**5%**	5%
Profit or loss	**(134)**	(255)	**(154)**	(124)	**(2,218)**	-
Equity	**(134)**	(255)	**(154)**	(124)	**(2,218)**	-

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, available-for-sale investment, trade receivables, other receivables and other current assets except for prepayments and tax recoverables, 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 year 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.

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. As at 31 December 2013 and 2012, there were no material trade receivables due from the Group's largest customer and the five largest customers. 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 2013

43. Financial risk management objectives 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 overdrafts and bank loans. As at 31 December 2013, the balance of the Group's interest-bearing debts is RMB31,000,000.

The maturity profile of the Group's financial liabilities as at the end of the reporting year, based on the contractual undiscounted payments, is as follows:

	2013					
Group	On demand	Less than 3 month	3 months to 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank borrowings	-	-	2,001	28,943	13,462	44,406
Trade payables	127,532	195,242	95,274	-	-	418,048
Bills payable	-	92,092	28,324	-	-	120,416
Financial liabilities included in other payables and accruals	315,681	326,873	328,033	-	-	970,587
Obligation arising from a put option to a non-controlling shareholder	-	-	92,794	-	-	92,794
Other long-term liabilities	-	-	1,798	7,192	70,533	79,523
	443,213	614,207	548,224	36,135	83,995	1,725,774

	2012					
	On demand	Less than 3 month	3 months to 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	177,612	202,616	13,753	11,301	-	405,282
Bills payable	-	23,100	-	-	-	23,100
Financial liabilities included in other payables and accruals	483,812	222,459	333,600	3,527	987	1,044,385
Other long-term liabilities	-	-	1,798	7,192	71,355	80,345
	661,424	448,175	349,151	22,020	72,342	1,553,112

In addition to the amounts shown in the above table as at 31 December 2013, 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 26 in the next 6 months, amounting to RMB41,824,000 in aggregate.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2013

43. Financial risk management objectives 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 2013 and 2012.

The Group monitors capital using a gearing ratio, which is calculated as interest-bearing loans divided by net asset plus interest-bearing loans. The gearing ratios as at the end of the reporting years were as follows:

	2013 RMB'000	2012 RMB'000
Interest-bearing loans	31,000	-
Net assets	15,501,231	14,626,673
Net assets and net debt	15,532,231	14,626,673
Gearing ratio	0.20%	-

44. Events after the reporting year

There is no material event after the reporting year.

45. Restatement of comparative figures

Other than the restatement of the consolidated financial statements upon adoptions of certain new accounting standards as disclosed in note 2.1, the presentation of certain financial statements line items has been reclassified to conform with the current year presentation. These reclassifications were not material and have no impact to the Group's results of operation or financial position.

46. Approval of the financial statements

The financial statements were approved and authorised for issue by the board of directors on 27 March 2014.

Glossary

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;
Polyoxymethylene (POM)	$-(-O-CH_2-)n-$, also known as acetal resin, an engineering plastic used to make gears, bushings and other mechanical parts. It is a thermoplastic with good physical and processing properties;
Urea	$H_2N-CO-NH_2$, 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.1 Zhu Jiang South Street, 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.1 Zhu Jiang South Street, Dongfang City, Hainan Province, the PRC
Representative Office in Hong Kong	65/F., Bank of China Tower, No.1 Garden Road, Central, Hong Kong
Company Secretary	Quan Changsheng
Authorized representatives	Yang Yexin No. 301, Building 5,12 Yongan Road, Basuo Town, Dongfang City Hainan Province, the PRC Quan Changsheng Flat 1803, Builiding No.18 Zone 2, Yuhuili, Chaoyang District, Beijing
Alternate to authorized representatives	Yu Jianwei Flat D, 16/F, On Wing Building 51-59 Bonham Strand East Sheung Wan, Hong Kong
Principal banker	Bank of China, Hainan Branch
Auditor	Deloitte Touche Tohmatsu 35/F One Pacific Place, 88 Queensway, Hong Kong
Hong Kong law legal adviser	Freshfields Bruckhaus Deringer 11th Floor, Two Exchange Square, Central, 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