Annual Report 2015

HKSE CODE: 3983

中海石油化學股份有限公司
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, Hubei Province and Heilongjiang Province. Its total designed annual production capacity amounts to 2,360,000 tonnes of urea, 1,000,000 tonnes of phosphate and compound fertilisers, and 1,600,000 tonnes of methanol. 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 Hainan

The production facilities in Inner Mongolia

The production facilities in Hubei

The production facilities in Heilongjiang

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Financial Highlights

Selected consolidated income statement data

For the year ended 31 December, RMB'million

	2011	2012 (Restated)	2013	2014	2015
Revenue	9,756.3	10,739.2	10,723.6	10,796.9	**10,671.8**
Cost of sales	(6,488.7)	(7,432.9)	(7,500.3)	(8,111.3)	**(8,925.9)**
Gross profit	3,267.6	3,306.3	3,223.3	2,685.6	**1,745.9**
Other income and gains	127.9	120.6	156.3	211.9	**399.9**
Selling and distribution costs	(169.4)	(218.1)	(347.0)	(425.0)	**(409.4)**
Administrative expenses	(418.3)	(431.3)	(476.3)	(518.4)	**(408.3)**
Other expenses	(32.1)	(31.8)	(76.0)	(110.2)	**(24.3)**
Finance income	16.0	14.4	10.7	8.3	**9.8**
Finance costs	(18.0)	(13.5)	(2.6)	(9.5)	**(91.5)**
Exchange gains/(losses), net	2.3	(7.5)	(8.8)	8.5	**(22.3)**
Share of losses of joint ventures	-	0.1	(0.3)	(0.6)	**(0.6)**
Share of profits/(losses) of associates	0.1	0.1	(9.3)	(477.0)	**(68.1)**
Impairment of asset	-	(131.7)	(122.7)	(1,260.4)	**-**
Profit before tax	2,776.1	2,607.6	2,347.3	113.2	**1,131.1**
Income tax expense	(556.4)	(624.0)	(554.2)	(16.2)	**(288.1)**
Profit for the year	2,219.7	1,983.6	1,793.1	97.1	**843.0**
Profit for the year attributable to equity holders of the parent	1,985.8	1,810.5	1,647.1	105.3	**829.7**
Basic earnings per share attributable to ordinary equity holders of the parent (RMB)	0.43	0.39	0.36	0.02	**0.18**

Selected consolidated statement of financial position data

As at 31 December, RMB'million

	2011 (Restated)	2012 (Restated)	2013	2014	2015
Assets					
Non-current assets	11,780.6	12,427.3	13,448.8	12,285.7	**12,065.2**
Current assets	4,797.3	4,777.7	5,087.0	7,653.6	**8,146.7**
Total assets	16,577.9	17,205.0	18,535.8	19,939.3	**20,211.9**
Equity and liabilities					
Total equity	13,567.7	14,626.7	15,501.2	14,749.3	**14,881.6**
Non-current liabilities	680.0	273.5	368.0	2,296.4	**1,248.8**
Current liabilities	2,330.2	2,304.8	2,666.6	2,893.6	**4,081.5**
Total equity and liabilities	16,577.9	17,205.0	18,535.8	19,939.3	**20,211.9**

Operational Highlights

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

		For the year ended 31 December					
		Production volume (tonnes)			Utilisation rate (%)		
		2015	2014	Change %	**2015**	2014	Change
Chemical fertilisers							
Urea	Fudao Phase I	**585,219**	559,398	4.6	**112.5**	107.6	4.9
	Fudao Phase II	**809,366**	881,121	(8.1)	**101.2**	110.1	(8.9)
	CNOOC Tianye	**587,911**	531,931	10.5	**113.1**	102.3	10.8
	CNOOC Huahe (Note 1)	**241,372**	-	-	**92.8**	-	-
	Group total	**2,223,868**	1,972,450	12.7	**105.9**	107.2	(1.3)
Phosphate fertilisers and compound fertilisers	DYK MAP	**60,825**	43,039	41.3	**40.6**	28.7	11.9
	DYK DAP Phase I (Note 2)	**320,821**	301,558	6.4	**91.7**	86.2	5.5
	DYK DAP Phase II	**602,851**	568,408	6.1	**120.6**	113.7	6.9
	Group total	**984,497**	913,005	7.8	**98.4**	91.3	7.1
Chemical products							
Methanol	Hainan Phase I	**623,818**	602,985	3.5	**104.0**	100.5	3.5
	Hainan Phase II	**793,971**	766,894	3.5	**99.3**	95.9	3.4
	CNOOC Tianye	**143,059**	180,281	(20.6)	**71.5**	90.1	(18.6)
	Group total	**1,560,848**	1,550,160	0.7	**97.6**	96.9	0.7

Note 1: CNOOC Huahe plant went into commercial operation on 1 July 2015. Its production volume in 2015 was calculated from the date of commencement of commercial operation.

Note 2: In 2015, DYK DAP Phase I Plant produced 272,082 tonnes of DAP and 48,739 tonnes of compound fertilisers, amounting to 320,821 tonnes in total. In 2014, DYK DAP Phase I Plant produced 255,686 tonnes of DAP and 45,872 tonnes of compound fertilisers, amounting to 301,558 tonnes in total.

Sales volume of the Group's various plants

Unit: tonne

		For the year ended 31 December 2015	For the year ended 31 December 2014	Change %
Chemical fertilisers				
Urea	Fudao Phase I	**546,285**	525,833	3.9
	Fudao Phase II	**783,499**	910,303	(13.9)
	CNOOC Tianye	**561,557**	519,435	8.1
	CNOOC Huahe	**191,726**	-	-
	Group total	**2,083,067**	1,955,571	6.5
Phosphate fertilisers and compound fertilisers	DYK MAP	**61,054**	42,792	42.7
	DYK DAP Phase I	**297,371**	339,273	(12.4)
	DYK DAP Phase II	**559,737**	611,165	(8.4)
	Group total	**918,162**	993,230	(7.6)
Chemical products				
Methanol	Hainan Phase I	**629,099**	591,572	6.3
	Hainan Phase II	**765,780**	745,040	2.8
	CNOOC Tianye	**143,756**	136,018	5.7
	Group total	**1,538,635**	1,472,630	4.5

Chairman's Statement

Dear shareholders,

In 2015, the domestic demands for chemical fertilisers and methanol recorded a steady growth. However, with the impact of significant decline in international energy prices in the second half of the year, the global bulk commodity prices (including chemical fertilisers and methanol) were on a sustained downward trend. Confronting such challenges, the Company achieved operating results ahead of domestic peers by continuing to enhance its refined production management, upholding its strategy to develop both its domestic and international sales and imposing stringent control over costs and expenses.

In 2015, the net profit attributable to owners of the parent of the Company amounted to RMB830 million. The Board proposed a year-end dividend of RMB0.08 (tax inclusive) per share for the year, representing a payout ratio of 44%.

The election of the fourth session of the Board of the Company was held in May 2015. Members of the Board in new session have considerable expertise and experience in their respective fields of chemical fertilisers and chemical products, business management, financial internal control as well as legal and regulatory matters. Thanks to the trust and support of the Shareholders, it was my honor to be re-elected as the Chairman of the Company. The directors in new session will continue to promote the sustained healthy development of the Company and strive to raise the calibre of the Company's corporate governance and operation management. Following the transition to a new session of the Board, Mr. Gu Zhongqin retired as a director of the Company. On behalf of the Board, I would like to express my sincere appreciation to him for his professional, diligent and responsible performance of duties during his term of office.

The Board continued to focus on the implementation of high-calibre corporate governance policies and practices in 2015, strive incessantly for excellence in corporate governance with the goal of maintaining healthy and sustainable growth of the Company. The Company complied with the regulatory obligations for information disclosure, ensuring fairness, timeliness and accuracy therein. The internal control and risk control systems were further optimised by the Board with a particular emphasis on investment risk control and on an effort to maintain a sound financial policy. In 2015, the Board proposed for the first time a resolution, approved at the AGM, for a general mandate to repurchase the H Shares, for the purpose of perfecting the protective mechanisms for our shareholders' interest.

Looking forward to 2016, global demands for chemical fertilisers will remain in constant stable growth, the market-oriented reforms and structural adjustments in the domestic chemical fertiliser industry will accelerate the elimination of mid- and small-sized obsolete capacities. Alternative energies and developments in methanol-to-olefin technology will still be the driving forces of the domestic demands for methanol. The Company will continue its efforts to enhance the quality of its refined production and sales management and control its costs and expenses stringently, closely tracke and pursue the research on the development opportunities in domestic and oversea markets to create good returns for our shareholders.

Finally, on behalf of the Board, I would like to express heartfelt gratitude for your support and assistance to the Company and appreciate the relentless efforts made by the management and all our staff for the operation and development of the Company.

Li Hui

Chairman

CEO's Report

Dear shareholders,

Looking back 2015, the domestic market prices of chemical fertilisers and methanol declined substantially in the second half of the year with the impact of the slowdown of China's economic growth, the significant decline in international energy prices and the oversupply of chemical fertilisers and methanol in China. Facing such severe market environment, the Company managed to surpass its annual business objective through strengthening production and operation management, imposing stringent control on costs and expenses, coupled with consolidating its domestic sales channels and actively exploring international market.

Review of 2015

In 2015, the Company recorded revenue of RMB10,672 million, gross profit of RMB1,746 million and net profit attributable to owners of the parent of RMB830 million, representing a profitability ahead of the industry.

During the year, through solid and effective HSE and equipment operation management, the Company achieved the stable, efficient operation in its major chemical fertilisers and chemicals production plants following their major overhauls. Urea plants of Fudao Phase I, Fudao Phase II and CNOOC Tianye had an annual average utilisation rate of 108%. The new coal-based urea plant in Hegang, Heilongjiang Province began commercial operation on 1 July 2015, and its operating efficiency reached its designed capacity at the end of the year after continuous improvement on production and equipment management. Aggregate production volume of urea in 2015 was 2.22 million tonnes, an increase of 13% from 2014. Utilisation rate of our ammonium phosphate fertilisers and compound fertilisers plants continued to increase, with our aggregate production volume reaching its new high at 984,000 tonnes, an increase of 7.8% from 2014. With the long-cycle stable operation of the methanol plant of Hainan Phase I and the significant increase in operation efficiency of the methanol plant of Hainan Phase II after overhaul, aggregate production volume of methanol slightly increased from that of 2014 to 1.56 million tonnes. The annual throughput of Basuo Port of the Company located in Dongfang City, Hainan Province was 13.69 million tonnes, being the first time to exceed 10 million tonnes.

For sales, the Company leveraged on the further liberalization of export policies for chemical fertilisers by actively expanding its international market with the support of its brand recognition and geographical advantage. Annual export volumes of both urea and phosphate fertilisers broke the historical records, reaching 889,000 tonnes and 309,000 tonnes, respectively. As the Company stabilised its current domestic sales channels, the Northeastern market for urea was actively explored into by its Huahe coal-based urea project, with satisfactory sales for the urea produced by Huahe.

During the year, the Company made announcements and promotion in various forms in relation to the revised management regime and permission rights implemented between the headquarter and each of its subsidiaries to ensure effective implementation of the revised systems and regimes. Feedbacks generated during the process of implementation are acknowledged for optimising the said systems and regimes. Meanwhile, in addition to the monthly risk report, analysis to the cause of individual risk items is strengthened for refining measures of risk management and prevention, enhancing the efficiency of our risk management and control.

In 2015, the Company focused on promoting and realising the new Production Safety Law and Environmental Protection Law promulgated by the state and adjusting its production safety accountability system to perfection in accordance to the new regulations. Meanwhile, professional bodies were commissioned for advising on our production safety management system in order to reach a full comprehension and assessment of the current situation of our HSE management, identifying its deviations from the newly promulgated laws and regulations and proposing corresponding remedial measures. Thanks to our sustained inputs to safety and environmental protection, our standards for safe and clean production were raised, with no safety- or environment-related incident reported for the year. During the year, the Company controlled its energy consumption strictly, achieving an annual energy saving of 19,500 tonnes standard coal equivalent.

Outlook for 2016

Despite a significant downward trend in the second half of 2015 for prices of global agricultural products and chemical fertilisers resulted from the significant decline in international energy prices, the steady growth of global demands for grain crops will provide continuous robust impetus for the growth of demands for chemical fertilisers. The domestic developments in alternative energies and methanol-to-olefin will still be the driving forces of the domestic demands for methanol. Further requirements imposed by the PRC government on liberalization and clean production for the chemical fertiliser industry will accelerate the consolidation of the industry.

In 2016, the Company will continue to strengthen and enhance HSE and refined production management, and to achieve safe and stable operations for each production unit. We will closely track the market conditions of domestic and international markets of chemical fertilisers and the chemical industry for the purposes of matching production against sales, while promoting the reform on the marketing and trading mechanism, with a focus on enhancing the market operation capability. We shall ensure the completion of annual production tasks and achievement of operation targets by tightening cost and expense control. The implementation of upgrades of Fudao Phase I Urea Plant will be proceeded as scheduled, making sure that Fudao Phase I Urea Plant will be able to maintain stable production with the natural gas produced by Dongfang 1-1 gas field phase I adjustment project. We will further improve the feasibility report of Xinhua coal mine which is supplementary to the coal-based urea project in Heilongjiang Huahe and research on the feasibility of producing high-end chemical products with natural gas in Hainan. Meanwhile, development opportunities in domestic and overseas that fit the Company's development strategy will be looked for.

In 2016, the management of the Company will stand by our employees to further enhance our existing business operations under the leadership of the Board, actively responding to severe market conditions and exploring potential ways for sustained development of the Company in order to create favourable value returns for our shareholders.

Wang Hui

CEO & President

Management Discussion and Analysis

Sector Review

Fertiliser Industry

In 2015, to continue its work to maintain the steady development of agriculture, the PRC government upheld the principle of continuity and stability in its application of the policies for agriculture subsidies, and continued to implement floor prices for wheat and grain rice, which have remained unchanged as compared to 2014. Cultivated area of grain across the nation increased by 618,000 hectares in 2015 as compared to 2014, and total grain production for the year increased by 2.4% as compared to 2014 to 621,435,000 tonnes, achieving a growth in grain production for 12 consecutive years. The steady development of the PRC agriculture ensured rigid demand for chemical fertilisers.

In 2015, further market-oriented reforms of domestic chemical fertilisers industry has been carried out by the PRC government: preferential railway transportation price for chemical fertilisers was abolished from 1 February 2015; from 1 April 2015, prices of the gas used for chemical fertilisers should increase by no more than RMB0.2 per cubic metre; on 19 April 2015, the PRC government announced that preferential electricity price for chemical fertilisers industry would be gradually abolished, with all preferential electricity prices abolished with effect from 20 April 2016. Value-added tax levy on all sold and imported chemical fertilisers at a unified rate of 13% was resumed from 1 September 2015. The newly amended Environmental Protection Law of the People's Republic of China came into force from 1 January 2015, imposing more stringent requirements for environmental protection on the fertilisers and chemicals industry. The aforementioned reforms will gradually lead the chemical fertilisers industry in the PRC towards an environmental-friendly and sizable development.

In 2015, the PRC government abolished the gap between high- and low-season tariff rates for urea and phosphate fertiliser exports. A unified tariff rate has been imposed throughout the year, with the rate applied for urea being RMB80 per tonne and the rate for ammonium phosphate being RMB100 per tone. It would thus be favourable to domestic fertiliser production enterprises with advantages in export. Benefiting from the favourable export policies for urea and ammonium phosphate, the export volumes for urea and ammonium phosphate in the PRC increased significantly in 2015, alleviating the oversupply in the domestic chemical fertiliser market.

(1) Urea

Domestic urea production volume in 2015 was approximately 74.92 million tonnes (in kind), an increase of approximately 5% as compared to 2014. Export volume of urea increased by approximately 1% as compared to 2014 to 13.75 million tonnes (in kind).

In the first four months of 2015, domestic market price of urea fluctuated in a narrow range between RMB1,600 and RMB1,700 per tonne. The domestic market price of urea began to rise in May, driven by the kick-off of high season for domestic chemical fertilisers' use and strong international demands. By the end of June, domestic market price of urea fluctuated in the range of RMB1,750 to RMB1,800 per tonne. Domestic urea price began to drop in July as a result of the combined effects of a significant decline of international oil price, decrease in international grain prices, depressed domestic coal price and significant increase in utilization rates of domestic urea plants. At the end of December, domestic market price of urea was approximately RMB1,450 per tonne.

(2) Phosphate fertilisers

In 2015, domestic production volume of ammonium phosphate was approximately 32.15 million tonnes (in kind), an increase by approximately 12% as compared to 2014. Export volume of ammonium phosphate was 10.76 million tonnes (in kind), representing a significant increase of 49% as compared to the last year.

In the first nine months of 2015, international market prices for ammonium phosphate remained stable. Domestic market price of DAP fluctuated in a narrow price range between RMB3,000 and RMB3,100 per tonne. Starting from October, the price of ammonium phosphate began to fall due to the decrease in international grain prices, weak international demand and the effect of low season in domestic market for fertilisers. At the end of December, domestic market price of ammonium phosphate was around RMB2,800 per tonne.

Methanol

Despite a slow-down in national economic growth in 2015, the demands from alternative energy sector and the development in methanol-to-olefin drove the growth of methanol demands in the country nonetheless.

In 2015, the PRC government continued to push forward natural gas market-oriented reforms, as the prices for legacy gas and incremental gas were unified on 1 April 2015. The non-residential "city-gate" price of natural gas was adjusted downward by RMB0.7 per cubic meter with effect from 20 November 2015, which led to a corresponding adjustment to the price of natural gas for production of methanol.

In 2015, domestic production volume of methanol was approximately 40.1 million tonnes, representing an increase of approximately 7% as compared to last year, while net import volume increased significantly to 5.38 million tonnes, representing an increase of 50% as compared to last year.

Affected by the plunging international crude oil prices in the second half of 2014, the domestic market price for methanol dropped significantly since mid-December 2014. Up to mid-January 2015, it dropped to RMB1,900 per tonne. In February, methanol prices began to rebound in the domestic market as international energy prices bottomed up and the demands for methanol increased driven by commencement of production of new domestic methanol-to-olefin projects. In late May, methanol prices rose to RMB2,600 per tonne in major domestic markets, and then dropped slightly to around RMB2,450 per tonne at the end of June. From July onwards, yet another plunge occurred in the international oil price, bringing domestic market price of methanol significantly downward to yearly low point of approximately RMB1,750 per tonne. At the end of December, the price of methanol in major domestic markets was approximately RMB1,800 per tonne.

Business Review

Production management

Despite the effect on the number of days of operation brought by the major overhauls conducted in our urea plants of Fudao Phase I and Phase II and the methanol plants of Hainan Phase II and CNOOC Tianye in 2015, stable operation with long operating-cycles were achieved by these major production plants following their overhauls thanks to the Company's further enhancement of our refined production management, leading to slight increases in the production volume of urea and methanol from 2014. In particular, the methanol plants of Hainan Phase II broke the record for the number of days of continuous operation and production volume with an uninterrupted working cycle of 279 days. Our new coal-based urea plant in Hegang, Heilongjiang Province began commercial operation on 1 July 2015, and its operating efficiency reached its designed capacity at the end of the year after half a year of upgrades of production and equipment management. Utilisation rate of our ammonium phosphate plants continued to increase, with our production volume of phosphate fertilisers and compound fertilisers reaching its new high at 985,000 tonnes. In particular, utilization rate of DAP plants Phase II reached a record high of 121%. The annual throughput of Basuo Port of the Company located in Dongfang City, Hainan Province was 13.69 million tonnes, a record high volume in the port operations segment.

Details of production of the Group's plants in 2015 are set out as follows:

	For the year ended 31 December			
	2015		2014	
	Production *(tonnes)*	Utilisation rate *(%)*	Production *(tonnes)*	Utilisation rate *(%)*
Chemical fertilisers				
Urea				
Fudao Phase I	585,219	112.5	559,398	107.6
Fudao Phase II	809,366	101.2	881,121	110.1
CNOOC Tianye	587,911	113.1	531,931	102.3
CNOOC Huahe (Note1)	241,372	92.8	0	0
Group total	2,223,868	105.9	1,972,450	107.2
Phosphate Fertilisers and Compound Fertilisers				
DYK MAP	60,825	40.6	43,039	28.7
DYK DAP Phase I (Note 2)	320,821	91.7	301,558	86.2
DYK DAP Phase II	602,851	120.6	568,408	113.7
Group total	984,497	98.4	913,005	91.3
Chemical Products				
Methanol				
Hainan Phase I	623,818	104.0	602,985	100.5
Hainan Phase II	793,971	99.3	766,894	95.9
CNOOC Tianye	143,059	71.5	180,281	90.1
Group total	1,560,848	97.6	1,550,160	96.9

Note 1: CNOOC Huahe plant went into commercial operation on 1 July 2015. Its production volume in 2015 was calculated from the date of commencement of commercial operation;

Note2: In 2015, DYK DAP Phase I Plant produced 272,082 tonnes of DAP and 48,739 tonnes of compound fertilisers, amounting to 320,821 tonnes in total. In 2014, DYK DAP Phase I Plant produced 255,686 tonnes of DAP and 45,872 tonnes of compound fertilisers, amounting to 301,558 tonnes in total.

Sales management

In the second half of 2015, global bulk commodity prices was on a sustained downward trend resulted from the significant decline in international energy prices, with global grain prices also falling into the trough. Due to the slowdown of national economic growth, decline in agricultural products prices, and the effects of low season for chemical fertiliser uses and redundant capacity of methanol, domestic market prices of chemical fertilisers and methanol consecutively experienced significant decline. Facing such unfavourable market trends, the Company stabilised its domestic channels and actively expanded its international market simultaneously, in line with its strategy to develop both its domestic and international sales. Annual export volumes of both urea and phosphate fertilisers broke the historical records, reaching 889,000 tonnes and 309,000 tonnes, respectively. Yearly sales targets were successfully met in respect of chemical fertilisers and methanol. Leveraging upon the geographical advantage provided by its Huahe coal-based urea project with its proximity to the main regions of fertiliser uses, we actively explored the urea markets in North-eastern China, with satisfactory sales for the urea produced by Huahe.

Urea

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

	For the year ended 31 December			
	2015		2014	
Sales region	Volume *(tonnes)*	Percentage *(%)*	Volume *(tonnes)*	Percentage *(%)*
North-eastern China	456,344	21.9	178,626	9.1
Northern China	102,512	4.9	225,300	11.5
Eastern China	81,493	3.9	83,059	4.2
South-eastern China	62,864	3.0	66,663	3.4
Southern China	361,673	17.4	439,137	22.5
Hainan	128,831	6.2	99,366	5.1
International	889,350	42.7	863,420	44.2
Total	2,083,067	100.0	1,955,571	100.0

Phosphate fertilisers and compound fertilisers

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

	For the year ended 31 December			
	2015		2014	
Sales region	Volume *(tonnes)*	Percentage *(%)*	Volume *(tonnes)*	Percentage *(%)*
North-eastern China	**261,178**	**28.4**	382,426	38.5
Northern China	**240,172**	**26.2**	230,243	23.2
Eastern China	**43,658**	**4.7**	81,253	8.2
South-eastern China	**4,155**	**0.5**	26,264	2.6
Southern China	**59,623**	**6.5**	23,921	2.4
International	**309,376**	**33.7**	249,123	25.1
Total	**918,162**	**100.0**	993,230	100.0

Methanol

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

	For the year ended 31 December			
	2015		2014	
Sales region	Volume *(tonnes)*	Percentage *(%)*	Volume *(tonnes)*	Percentage *(%)*
North-eastern China	**26,071**	**1.7**	53,417	3.6
Northern China	**118,390**	**7.7**	78,872	5.4
Eastern China	**133,477**	**8.7**	129,152	8.8
South-eastern China	**139,518**	**9.1**	153,413	10.4
Southern China	**1,014,282**	**65.9**	922,032	62.6
Hainan	**106,897**	**6.9**	92,828	6.3
International	**-**	**-**	42,916	2.9
Total	**1,538,635**	**100.0**	1,472,630	100.0

POM

In 2015, the Group produced a total of 4,019 tonnes of POM with a sales volume of 5,804 tonnes.

BB fertilisers

In 2015, the Group produced a total of 57,154 tonnes of BB fertilisers with a sales volume of 62,855 tonnes.

Sea-land logistics services

In 2015, Basuo Port completed a record-high volume of freight throughput of 13.69 million tonnes.

Financial Review

Revenue

During the reporting period, the Group's revenue was RMB10,671.8 million, a decrease of RMB125.1 million, or 1.2%, from RMB10,796.9 million in 2014.

During the reporting period, the Group's external revenue from urea was RMB3,401.3 million, an increase of RMB11.1 million, or 0.3%, from RMB3,390.2 million in 2014. The increase was primarily attributable to (1) an increase in the sales volume of urea by 127,496 tonnes from 2014, leading to an increase in revenue by RMB208.2 million; and (2) a decrease in revenue by RMB197.1 million due to a drop in the price of urea by RMB100.8 per tonne.

During the reporting period, the Group's external revenue from phosphate fertilisers and compound fertilisers was RMB2,484.9 million, a decrease of RMB151.6 million, or 5.7%, from RMB2,636.5 million in 2014. The decrease was primarily attributable to (1) a decrease in the sales volume of phosphate fertilisers and compound fertilisers by 75,068 tonnes from 2014, resulting in a decrease in revenue by RMB199.3 million; and (2) an increase in revenue by RMB47.7 million caused by a rise in the price of phosphate fertilisers and compound fertilisers by RMB52.0 per tonne.

During the reporting period, the Group's external revenue from methanol was RMB2,644.5 million, a decrease of RMB639.7 million, or 19.5%, from RMB3,284.2 million in 2014. The decrease was primarily attributable to (1) an increase in the sales volume of methanol by 66,005 tonnes, resulting in an increase in revenue by RMB113.4 million; and (2) a decrease in revenue by RMB753.2 million caused by a drop in the price of methanol by RMB511.4 per tonne.

During the reporting period, the Group's external revenue from other segments (primarily comprising port operations and provision of transportation services, trading in fertilisers and chemicals, manufacture and sales of BB fertilisers and woven plastic bags) increased by RMB655.1 million, or 44.1%, to RMB2,141.1 million in 2015 as compared to RMB1,486.0 million in 2014, which was primarily attributable to (1) an increase in revenue by RMB846.7 million in the trading segment during the reporting period; (2) an increase in revenue of RMB54.3 million in port loading & unloading and transportation business of the Basuo Port; which is partially offset by (3) a significant decrease by RMB169.9 million in revenue due to decrease in sales volume of POM as compared to the same period of last year following the cessation of production in the POM plants in CNOOC Tianye from April 2015; and (4) a decrease in revenue by RMB51.2 million caused by a drop in the sales volume of BB fertilisers.

Cost of sales

During the reporting period, the Group's cost of sales was RMB8,925.9 million, an increase of RMB814.6 million or 10.0 % from RMB8,111.3 million in 2014.

During the reporting period, the Group's cost of sales for urea was RMB2,365.8 million, an increase by RMB170.2 million or 7.8% from RMB2,195.6 million in 2014. The increase was primarily attributable to: (1) an increase in cost of sales by RMB144.8 million caused by an increase in sales volume of urea by 127,496 tonnes as compared to 2014; (2) an increase in unit cost caused by a rise in the price of natural gas for urea production in CNOOC Tianye from 1 July 2015 and the gradual increase in the utilisation rate of the CNOOC Huahe plant which newly commenced production, causing an increase in cost of sales by RMB27.1 million.

The Group's cost of sales for phosphate and compound fertilisers for the reporting period was RMB2,084.3 million, a decrease of RMB222.9 million or 9.7% from RMB2,307.2 million in 2014. The decrease was primarily attributable to: (1) a decrease in sales volume of phosphate and compound fertilisers by 75,068 tonnes as compared to 2014, resulting in a decrease in cost of sales of RMB170.4 million; and (2) a drop in price of raw materials for phosphate and compound fertilisers, contributing to a decrease in cost of sales of RMB52.5 million.

The Group's cost of sales for methanol for the reporting period was RMB2,435.5 million, an increase of RMB304.8 million or 14.3% from RMB2,130.7 million in 2014. The increase was primarily attributable to: (1) an increase in cost of sales by RMB104.5 million caused by an increase in sales volume of methanol by 66,005 tonnes as compared to 2014; (2) the overhaul of Hainan Methanol Phase II leading to an increase in our cost of sales by RMB68.3 million; and (3) an increase in our cost of sales of RMB132.0 million caused by a number of factors, including the increase of natural gas prices from 1 July 2015 by RMB0.561 per cubic metre for CNOOC Tianye Methanol Plant resulting in it ceasing production from late August to the end of the year incurring an operating loss, and the increase in natural gas prices for methanol use in Hainan.

The Group's cost of sales from other segments for the reporting period increased by RMB562.5 million or 38.1% from RMB1,477.8 million in 2014 to RMB2,040.3 million. The increase was primarily attributable to: (1) an increase in cost of trading businesses by RMB870.2 million, which is partially offset by (2) a significant decrease in sales volume of POM following the closing of our POM plants in April 2015, resulting in a decrease in the cost of sales by RMB215.0 million.

Gross profit

The Group's gross profit for the reporting period was RMB1,745.9 million, a decrease of RMB939.7 million or 35.0% from RMB2,685.6 million in 2014. The decrease was primarily attributable to: (1) a decrease in gross profit for methanol by RMB944.6 million; (2) a decrease in gross profit for urea by RMB159.1 million; (3) an increase in gross profit for phosphate and compound fertilisers by RMB71.3 million; and (4) an increase in gross profit for other segments by RMB92.7 million.

Other income and gains

The Group's other gains for the reporting period amounted to RMB399.9 million, an increase by RMB188.0 million or 88.7% from other gains of RMB211.9 million in 2014. The increase was primarily attributable to: (1) increase in short-term bank wealth management gains by RMB111.4 million; and (2) an increase in profit from other business by RMB76.6 million.

Selling and distribution expenses

The Group's selling and distribution expenses for the reporting period amounted to RMB409.4 million, a decrease of RMB15.6 million or 3.7% from RMB425.0 million in 2014. The decrease was primarily attributable to the significant decrease in sales volume of POM.

Administrative expenses

The Group's administrative expenses for the reporting period amounted to RMB408.3 million, a decrease of RMB110.1 million or 21.2% from RMB518.4 million in 2014. The decrease was primarily attributable to: (1) a decrease in research expenses by RMB52.3 million over 2014; (2) a decrease in staff costs by RMB31.8 million over 2014; and (3) strict control imposed by the Company on each of other administrative expenses.

Other expenses

The Group's other expenses for the reporting period amounted to RMB24.3 million, a decrease of RMB85.9 million, or 77.9%, from RMB110.2 million in 2014. The decrease was primarily due to: (1) cessation of work for the construction of the raw material conversion project of CNOOC Tianye in 2015 which reduced non-operating expenses by RMB71.1 million as compared to 2014; (2) a decrease of disposal of intangible assets by RMB9.3 million during the year as compared to 2014.

Finance income and finance costs

The Group's finance income for the reporting period increased by RMB1.5 million, or 18.1%, to RMB9.8 million from RMB8.3 million in 2014. The increase was primarily due to an increase in the average daily balance of the Group's deposits as compared with 2014.

The Group's finance costs for the reporting period amounted to RMB91.5 million, an increase by RMB82.0 million, or 863.2%, from RMB9.5 million in 2014. The increase was primarily attributable to: (1) the increase in finance costs by RMB59.7 million caused by the commencement of commercial operation of the coal-based urea project in CNOOC Huahe on 1 July 2015; and (2) the additional financial costs incurred by DYK Chemical of RMB21.1 million.

Asset impairment losses

During the reporting period, the Group had no asset impairment loss, a decrease of RMB1,260.4 million or 100% as compared with RMB1,260.4 million in 2014. The decrease was primarily attributable to: (1) the prolonged loss from CNOOC Tianye's POM business in 2014, resulting in a provision of RMB1,160.6 million made for asset impairment loss of the entire carrying value of the net asset of POM plant in 2014 in accordance with IAS 36; (2) asset impairment loss of RMB99.8 million recorded for the seizure of land use rights by local authorities for the construction land of a project of CNOOC Hualu Shanxi Coal Chemical Co., Ltd. in 2014.

Net exchange (losses)/gains

During the reporting period, the Group recorded exchange losses of RMB22.3 million, whereas an exchange gain of RMB8.5 million was recorded in 2014, representing a change of RMB30.8 million. It was primarily attributable to the effect of depreciation of RMB on the US$ settlement for export of our products and our debts denominated in US$.

Share of loss of associate and joint venture

During the reporting period, the share of losses of associates and joint ventures was RMB68.7 million, a decrease of RMB408.9 million as compared with the share of losses of associates and joint ventures of RMB477.6 million in 2014. The change was mainly due to (1) a long-term equity impairment loss of RMB470.1 million made by the Company in 2014 in connection with the 49% interest held by the Company in Shanxi Hualu Yangpoquan Coal Mining Co., Ltd. which did not exist during the year. The Intermediate People's Court of Xinzhou City, Shanxi Province commenced an auction in 2014 against all assets, including mining rights, machineries and equipment, real estate, stock of raw coal and office supplies of Yangpoquan Coal in satisfaction of the defaulted debt of Yangpoquan Coal owed to Hequ Branch of Industrial and Commercial Bank of China Limited and the three auctions conducted by the Intermediate People's Court of Xinzhou City failed; and (2) On 16 September 2015, Beijing Tairui Innovation Capital Management Ltd. ("Tairui") injected CAD$80 million into Western Potash Corporation ("WPC") for a 51% shareholding, and CBC (Canada) Holding Corp ("CBC (Canada)") subscribed 2,144,865 common shares in WPC, both on a non-diluted basis through newly issued shares by WPC to Tairui and CBC (Canada). As a result, CBC (Canada)'s equity interest in WPC was diluted from 19.9% to 10.1%, and such dilution constituted a deemed partial disposal of associate by the Group, and a disposal loss of RMB30.2 million was recognised in the profit or loss for the current year. Furthermore, based on the management's assessment of recoverable amount of WPC's net assets and the Group's share of 10.1% interest, an impairment of RMB33.2 million was recognized and presented as "share of losses of associates" for the current year.

Income tax expenses

The Group's income tax expense for the reporting period was RMB288.1 million, an increase of RMB271.9 million, or 1,678.4%, from RMB16.2 million in 2014. The increase was primarily attributable to an increase in the profit before tax by RMB1,017.9 million.

Net profit for the year

The Group's net profit for the reporting period was RMB843.0 million, an increase by RMB745.9 million, or 768.2%, from RMB97.1 million in 2014.

Dividends

The board of directors of the Company (the "Board") recommended the payment of a final dividend of RMB0.08 per share for 2015, aggregating RMB368.8 million. The proposed final dividend for 2015 will be subject to the approval of the shareholders of the Company at the 2015 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 RMB649.3 million. Capital expenditure primarily included: (1) an investment of RMB468.9 million for the Huahe 520,000 tonnes/year Urea Project; (2) investments in the upgrade of our production plants and purchase of equipment of RMB180.4 million.

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 2015 (calculated as interest bearing liabilities divided by the sum of total equity and interest bearing liabilities) was 13.3%, a decrease by 2.0% compared with 15.3% as at 31 December 2014, which was primarily attributable to (1) a decrease in bank borrowings of the projects of CNOOC Huahe Coal Chemical Limited by RMB1,051.0 million for its finance leasing business commenced during the reporting period which had a principal payable of finance lease of RMB1,000.0 million as at the end of the year; (2) the repayment of the principal of finance leases phase I and phase II by Hubei Dayukou Chemical Co., Ltd. amounting to RMB620.0 million, with the balance of the principal payable as at the end of the year for its finance leases phase II amounting to RMB320.5 million; and (3) a decrease in current liability loans of trading business of China BlueChemical (Hong Kong) Limited by RMB72.0 million.

Cash and cash equivalents

As at the beginning of 2015, the Group's cash and cash equivalents were RMB5,525.9 million. In 2015, the net cash inflow from operating activities was RMB1,353.9 million, the net cash outflow from investing activities was RMB299.0 million, the net cash outflow from financing activities was RMB1,271.0 million, and the increase caused by the exchange movement on cash was RMB4.1 million. As at 31 December 2015, the Group's cash and cash equivalents were RMB5,313.9 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 2015, the Group had 6,334 employees. The aggregate of employees' wages and allowances for 2015 was approximately RMB540.8 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 416 training courses, with a total of 22,922 enrolments and 206,754 training hours according to its annual training plan.

During the reporting period, the Company held 119 safety training courses of various types, with a total of 12,028 enrolments and 135,062 training hours, covering topics such as safety awareness, regulatory information, standard operation procedures for various positions, the HSE system, emergency management, traffic safety and occupational hygiene knowledge.

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, coal, phosphate ore, ammonia and sulphur), fuels (mainly natural gas and 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 short-term and 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. The Group's purchases of equipment and raw materials were primarily denominated in Renminbi and secondarily in US dollar. During the reporting period, the Renminbi to US dollar exchange rate ranged between 6.1818 and 6.5046. RMB to US dollar exchange fluctuation may affect import of our equipment and raw materials, export of our products as well as financing activities in US dollar.

As at 31 December 2015, the balance of finance lease of Hubei Dayukou Chemical Co., Ltd. under the Group was US$49.4 million; the balance of export bill financing of China BlueChemical (Hong Kong) Limited was US$10.4 million and the balance of the Group's deposit in US dollar was US$34.2 million.

Inflation and currency risk

According to the National Bureau of Statistics of China, the consumer price index of the PRC increased by 1.4% 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 2015, based on the carrying values shown on the financial statements, the Group had borrowings in the amount of RMB1,000.0 million and US$59.7 million with a maturity within one year. The Group has sufficient cash and is not exposed to liquidity risk.

Subsequent events and contingent liabilities

Subsequent to 31 December 2015, being the balance sheet date, the call option and put option agreement between the Group and Benewood Holdings Corporation Limited ("Benewood") expired on 15 March 2016 unexercised, resulting in a gain of approximately RMB54 million. The obligation of the Group to repurchase the 40% equity interest in CBC (Canada) expired and the liability arising from this arrangement is reclassified to noncontrolling interest and other component within equity, as appropriate.

Litigation and arbitration

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

The arbitration matter in relation to Shanxi Hualu Yangpoquan Coal Mining Co., Ltd. which commenced in 2014 is still pending (for details, please refer to the announcement dated 10 July 2014).

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

During the reporting period, the Company completed the deregistration of CNOOC Guangxi Fertilizer and Technology Limited in December 2015.

Sector Outlook

Looking forward to 2016, while the steady growth of global demands for grain crops will provide robust impetus for the growth of demands for chemical fertilisers in the agricultural industry, the structural adjustment in the domestic chemical fertiliser industry will accelerate the retirement of mid- and small-sized obsolete capacities. Growth of the Chinese economy, demand for alternative energies and development in methanol-to-olefin will still be the driving forces of the domestic demands for methanol.

Our Key Tasks in 2016

(1) To continue to strengthen and enhance HSE and refined production management, and to achieve safe and stable operations for each production unit;

(2) To closely track the market conditions of domestic and international markets of chemical fertilisers and the chemical industry for the purposes of matching production against sales; to promote the reform on the marketing and trading mechanism, with a focus on enhancing the market operation capability;

(3) To ensure the completion of annual production tasks and achievement of operation targets by tightening cost and expense control;

(4) To proceed with the implementation of upgrades of Fudao Phase I Urea Plant as scheduled, making sure that Fudao Phase I Urea Plant will be able to maintain stable production with the natural gas produced by Dongfang 1-1 gas field phase I adjustment project after the stable supply period of natural gas from Yacheng 13-1 gas field ends in 2016;

(5) To further improve the feasibility report of Xinhua coal mine which is supplementary to the coal-based urea project in Heilongjiang Huahe;

(6) To continue to research on the feasibility of producing high-end chemical products with natural gas in Hainan; and

(7) To continue to look for development opportunities in China and overseas that fit the Company's development strategy.

Quality, Health, Safety and Environmental Protection

In 2015, in adherence to its safety and environmental protection ideals of "prioritizing safety and environmental protection with a human-based focus on integrity of facilities", the Company continued to optimize its QHSE systems, and identified the deviance of its safety and environmental protection management system from the laws, regulations and standards issued by the state, highlighting the implementation of prevention of major risks. Each QHSE management goal in 2015 was achieved, ensuring the high alignment of the interests of the Shareholders and our customers as well as employees' health and social responsibility.

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 99.83% with a 100% pass rate on net weight of single packet; methanol products attained a superior quality rate of 100%; and DAP products attained a superior quality rate of 100%.

Health, safety and environmental protection (HSE) management

In 2015, the Company continued to improve its HSE system by optimising training regime on safety, revising and improving system and procedure for energy saving and emission reduction.

Each units under the Company continued to make prgress in the establishment of the HSE management system in 2015, with particularly mindful focus on prevention of material risks. Vigorous investigation and rectification of hazards were carried out, and activities to promote safety culture were actively held. They helped realise a culture of accountability for safe production and achieve environmental management goals, with overall landscape for safe production remaining stable for the year.

With the goal of forging a green chemical company in mind, the Company has a proven historical record of being highly conscious of its environmental works. Its core ideal of "putting safety and environmental protection in top priority, while upholding humanism and integrity of equipment" was actively and consistently abided by, with close attention paid to the pleas for ecological work related to aspects in which the Company has an interest. Management of compliance for our environment-related work was strengthened in order to establish ourselves as an environmentally friendly comapny. In 2015, the Company achieved energy conservation of standard coal of 19,500 tonnes, or 179% of the target level. Throughout the Twelfth Five-Year Plan, energy conservation achieved amounted to standard coal of 92,000 tonnes, or 169% of the target level. Both annual and Twelfth Five-Year Plan aggregate conservation recorded a level of over-achievement. During the year, the Company was named as the "Benchmark Enterprise of Leading Energy Efficiency " by China Petroleum and Chemical Industry Federation.

The newly amended Production Safety Law and Environmental Protection Law and their related rules for implementation were promulgated and implemented in 2015. To ensure satisfaction of current requirements for environmental protection by our existing facilities, the Company continued to increase its inputs in this regard.

In addition, with the newly implemented Environmental Protection Law as our focus, the Company actively commenced the work to ensure compliace with the new Environmental Protection Law and its rules for implementation, intensifying our work on investigation and rectification of hazards in order to satisfy the requirements for compliance. Stronger emphasis was placed on the assessment of environmental accountability by including the environmental criteria listed on the HSE Accountability Manuel of each of our branch entities in our appraisal. Environmental management became a key target for examination in our regular safety checkup. In 2015, the Company carried out important environmental inspection work in its Heilongjiang base in order to promote the stable operation of its environmental protection facilities. All the environmental protection equipment in the bases of our Company were in normal operation, with better results in the biochemical processing of sewage water and water reuse devices in normal operation. No pollution incident occurred.

In 2015, 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 0.029.

Human Resources

In adherence to our principle of being "people-oriented and employee-caring", pursuing a personnel policy that is scientific, reasonable and highly-efficient, we enhanced the establishment of our talent pool and incentivising mechanisms. In 2015, in accordance with our principle of "controlling total volumes, making good use of storage volume while optimising the structure to improve quality", we used great efforts in continuously perfecting and optimising our staff structure, functions adjustments, remuneration oversight, performance assessment and employee training, providing the personnel and institutional guarantee required for the sustained and steadfast development of the Company.

Remuneration and benefits

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

In 2015, the Company performed a full-scale review of its remuneration and benefit policies and regimes, strengthened the oversight of the remunerations and benefits and rationalised its staff deployment, remuneration and benefit packages. Performance-based remuneration distribution system is further enhanced while the insurance scheme of the holding company is further completed and the relevant benefit and insurance coverage measures are enhanced.

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 2015, the Company continued to adjust and optimise its existing performance appraisal system and evaluation methodology by using more quantifiable evaluation criteria to make appraisals more operationalisble. Approaches such as "Big Data" and "360 degrees assessment" are introduced to introduce more criteria of assessment. Weighting of different sectors of assessment is determined and adjusted according to individual roles and responsibilities, and appraisal results are communicated in a timely manner. These resulted in greater fairness and accuracy in appraisal, paving the way for a system pegging performance-based assessment with remuneration distribution.

Training management

In 2015, under the theme of "highlighting focuses, improving performance, enriching contents and diversifying forms", the Company strengthened its training regime and course systems in 2015. A three-year course roll-out plan has been formulated for key groups such as head cadres, monitors and internal trainers, which are laid down and implemented at different levels within the hierarchy. Our outstanding achievements in our talent cultivation resulted in excellent achievements, including the awards of 3 gold, 4 silver and 4 bronze medals for 3 sections of the CNOOC skill competition, and 1 gold and 4 silver medals for 2 sections in the petroleum industry skill comption, as well as one First Class Award for Groups and one Second Class Award for Groups. The Company held 416 training courses, with a total of 22,922 enrolments and 206,754 training hours.

Corporate Governance Report

The Company continued to be committed to implementing corporate governance policy and practice with a high standard in 2015, striving incessantly for excellence in corporate governance with the goal of maintaining healthy and sustainable growth of the Company and creating greater values for the shareholders.

Since 2006, the Company has established a well-balanced and independently-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.

The Company was in compliance with the code provisions of Corporate Governance Code set out in Appendix 14 to the Listing Rules. During the reporting period, the Company continued to strive for professional corporate governance, implemented high standard of corporate governance, and maintained the formality, integrity and efficiency of the Company's management. Through holding roadshows about the Company's results and participating in international investment forums, the Company maintained uninterrupted and effective communication with the capital market and the media and preserved the positive image of fairness and openness of the Company in the capital market.

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 meeting

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 convener of the general meeting, who shall issue a supplementary notice of the general meeting within two days after receipt of the same to all other shareholders and include 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, KaikangCNOOC 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, one annual general meeting, one H shareholders class meeting and one domestic shareholders class meeting of the Company were held, at which 21 resolutions in relation to the 2014 annual financial reports, the report of the Directors, the report of the Supervisory Committee, and the profit distribution proposal, the 2015 budget proposal, the appointment of the fourth session of Directors and Supervisors and the grant of the general mandate to the Board to repurchase H Shares were considered and passed. All the Directors of the Company attended the Annual General Meeting and the class meetings of the Company.

The procedures for the holding and the approval of resolutions of the above general meetings 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 business strategic plans, 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	28 May 2015
Wang Hui	Executive Director	28 May 2015
Zhou Dechun	Non-executive Director	28 May 2015
Zhu Lei	Non-executive Director	28 May 2015
Lee Kit Ying	Independent non-executive Director	28 May 2015
Lee Kwan Hung	Independent non-executive Director	28 May 2015
Zhou Hongjun	Independent non-executive Director	28 May 2015

Each Director appointed by the Company has entered into a service contract with the Company for a term of three years, commencing on their appointment on the date of the 2014 annual general meeting (i.e. 28 May 2015), or until new Directors are elected at the 2017 annual general meeting held by the Company. If, however, new Directors are not elected promptly when term of office of the existing Directors expires, the existing Directors shall, in accordance with the provisions of the laws, regulations, and the Articles, discharge their duties as Directors prior to the election at the general meeting held by the Company in the year when their term of office expires. Directors can offer themselves for re-election upon the end of their terms of office.

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) of the Listing Rules, 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 own a fiduciary duty to the Company and its shareholders, and in particular, are entrusted with the duty to safeguard the interests of minority shareholders. They perform 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 four physical meetings and two interim meetings by written resolutions, based on actual working practicality.

Details of attendance of Board members at the physical Board meetings for the year ended 31 December 2015 are as follows:

Board member	Number of meetings attended / held	Attendance rate (%)
Li Hui	4/4	100
Wang Hui	4/4	100
Zhou Dechun	4/4	100
Zhu Lei	4/4	100
Lee Kit Ying	4/4	100
Lee Kwan Hung	4/4	100
Zhou Hongjun	2/3 (Note 1)	67
Gu Zongqin	1/1 (Note 2)	100

Note1: Mr. Zhou Hongjun was appointed as an independent non-executive Director of the Company on 28 May 2015. During the period from 28 May 2015 to 31 December 2015, three Board meetings were held by the Company. Mr. Zhou Hongjun attended two Board meetings in person, and attended and voted at one Board meeting by his proxy, Mr. Zhou Dechun, due to health reasons.

Note 2: Mr. Gu Zongqin resigned as an independent executive Director of the Company on 28 May 2015 due to other work commitments. During the period from 1 January 2015 to 28 May 2015, one Board meeting was held by the Company.

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, including attending trainings organized by the Company and external institutes and reading relevant materials. The Company delivered the written training materials to Mr. Zhou Hongjun, the new director, by email on 20 May 2015, and Mr. Zhou Hongjun, as a director, completed such training by reading through such materials. All Directors of the Company (including Li Hui, Wang Hui, Zhou Dechun, Zhu Lei, Lee Kit Ying, Lee Kwan Hung and Zhou Hongjun) attended internal physical training organised by the Company on 29 May 2015 in relation to the manners and procedures of share repurchase. The Company also circulated by email to all Directors on 28 October 2015 eight sets of training materials including Appendix 16 “Disclosure of Financial Information” of the Listing Rules and Guidance on the issuance of convertible securities by listed issuers, and the Directors completed the training by reading through such materials. In addition, Mr. Zhou Dechun, Mr. Zhu Lei, being non-executive Directors, and Ms. Lee Kit Ying, Mr. Lee Kwan Hung and Mr. Zhou Hongjun, being independent non-executive Directors, made a field investigation to Hegang Production Base in Heilongjiang to further understand the business condition and future development planning of the Company.

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, the Board reviewed the Company’s compliance with laws, regulatory provisions and the Corporate Governance Code and disclosures in the Corporate Governance Report, reviewed and monitored the training and continuous professional development of Directors and senior management, and further enhanced the Company’s corporate governance policy and practices.

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. Lee Kwan Hung and Mr. Zhou Hongjun and non-executive Directors Mr. Zhou Dechun 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 risk control procedures and 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 three meetings during the reporting period and the work it performed is summarised as follows:

- Reviewed the 2014 financial statements and the 2015 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;
- Heard reports on the 2015 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 2015;
- Reviewed the statutory audit plan of the external auditor and the nature and scope of their audit prior to the commencement of the audit;
- Reviewed the effectiveness of the risk control and internal control systems of the Company.

Details of attendance of members of the 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)	3/3	100
Lee Kwan Hung	3/3	100
Zhou Hongjun	1/2 (Note 1)	50
Zhou Dechun	3/3	100
Zhu Lei	3/3	100
Gu Zongqin	1/1 (Note 2)	100

Note1: Mr. Zhou Hongjun was appointed as a member of the Audit Committee of the Company on 29 May 2015. During the period from 29 May 2015 to 31 December 2015, two meetings of the Audit Committee were held by the Company. Mr. Zhou Hongjun attended one meeting of the Audit Committee in person, and attended and voted at one meeting of the Audit Committee by his proxy, Mr. Zhou Dechun, due to health reasons.

Note 2: Mr. Gu Zongqin resigned as a member of the Audit Committee of the Company on 28 May 2015 due to other work commitments. During the period from 1 January 2015 to 28 May 2015, one meeting of the Audit Committee was held by the Company.

Remuneration Committee

The Remuneration Committee currently consists of three members, including independent non-executive Directors Ms. Lee Kit Ying and Mr. Lee Kwan Hung, and non-executive Director Mr. Li Hui. Ms. Lee Kit Ying 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 2015 are set out in Note 10 to the financial statements.

The Remuneration Committee held one meeting during the reporting period, at which the Remuneration Committee determined the remuneration for the new session of executive Director, Supervisors and senior management and recommended the remuneration for the new session of independent non-executive Directors of the Company to the Board.

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

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

Nomination Committee

The Nomination Committee currently consists of three members, including independent non-executive Directors Mr. Lee Kwan Hung and Mr. Zhou Hongjun and executive Director Mr. Wang Hui. Mr. Lee Kwan Hung 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 two meetings during the reporting period, at which the fourth session of Directors and senior management were proposed, and the structure, size and composition of the Board and its subordinated committees in 2015were reviewed, including the skills, 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 (%)
Lee Kwan Hung (Chairman)	2/2	100
Zhou Hongjun	1/1 (Note 1)	100
Wang Hui	2/2	100
Gu Zongqin	1/1 (Note 2)	100

Note1: Mr. Zhou Hongjun was appointed as a member of the Nomination Committee of the Company on 29 May 2015. During the period from 29 May 2015 to 31 December 2015, one meeting of Nomination Committee was held by the Company.

Note 2: Mr. Gu Zongqin resigned as a member of the Nomination Committee of the Company on 28 May 2015 due to other work commitments. During the period from 1 January 2015 to 28 May 2015, one meeting of Nomination Committee was held by the Company.

Investment Review Committee

The current Investment Review Committee consists of six members, including independent non-executive Directors Mr. Zhou Hongjun and Ms. Lee Kit Ying, non-executive Director Mr. Li Hui, Mr. Zhou Dechun, Mr. Zhu Lei and executive Director Mr. Wang Hui. Mr. Zhou Hongjun 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 two physical meetings and one interim meeting of the Investment Review Committee 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 physical committee meetings during the reporting period are set out as follows:

Investment Review Committee member	Number of meetings attended / held	Attendance rate (%)
Zhou Hongjun (Chairman)	1/2 (Note 1)	50
Lee Kit Ying	2/2	100
Li Hui	2/2	100
Zhou Dechun	2/2	100
Wang Hui	2/2	100
Zhu Lei	2/2	100
Gu Zongqin	-/- (Note 2)	-

Note1: Mr. Zhou Hongjun was appointed as a member of the Investment Review Committee of the Company on 29 May 2015. During the period from 29 May 2015 to 31 December2015, two meetings of Investment Review Committee were held by the Company. Mr. Zhou Hongjun attended one meeting of the Investment Review Committee in person, and attended and voted at one meeting of the Investment Review Committee by his proxy, Mr. Zhou Dechun, due to health reasons.

Note 2: Mr. Gu Zongqin resigned as a member of the Investment Review Committee of the Company on 28 May 2015 due to other work commitments. During the period from 1 January 2015 to 28 May 2015 no meeting of Investment Review Committee was held by the Company.

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 to 50 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 2015 is set out in Note 11 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

During the reporting period Mr. Li Hui acted as the Chairman of the Company and Mr. Wang Hui has served 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 obtain the advice and services from 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.

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 2015, the Company focused on the promotion and raising awareness of the amended management interface and management authorisation between the headquarter of the Company and each of its subsidiaries to ensure that the amended control system can be effectively implemented. 16 administrative measures and codes were added and 23 administrative measures were amended in response to the feedbacks from subsidiaries based on their actual practice in order to further optimise the control system.

During the year, in addition to the regular preparation of monthly risk reports, the Company paid specific attention to the analysis of the cause of risks and fine-tuned risk management measures, distributing risk management responsibilities among the management of the Company in a cooperative mechanism of division of duties and mutual supervision at the management level.

11 Auditors and fees

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, the service term of the external auditors of the Company, Ernst & Young and Ernst & Young Hua Ming LLP, exceeded the prescribed time limit in 2013. In accordance with the recommendations of the Board and as considered and approved at the 2012 Annual General Meeting, 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 until the end of the upcoming annual general meeting. A resolution has been 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 2015 of the Company was RMB4.3 million, which has been approved by the Audit Committee.

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 2015 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 29 March 2016, the Company and CNOOC held the 2015 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

③ ② ⑦ ① ④ ⑤ ⑥

Non-executive Directors

①Mr. **Li Hui**, born in 1963, graduated from the University of International Business and Economics with a bachelor's degree in 1987 and was later awarded the title of 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.

②Mr. **Zhou Dechun**, born in 1956, graduated from Shanghai Institute of Chemical Technology (now known as East China University of Science and Technology) with a bachelor's degree in 1978, majoring in chemical equipment and machinery at the Department of Chemical Machinery, and was later awarded the title of senior economist (professor grade). From August 1978 to July 1987, he had worked as officer at the General Department, Materials Department and Personnel Department and deputy head of the Metal Materials Department of the Supply and Sales Bureau of the Ministry of Chemical Industry. From July 1987 to September 1998, he had served as deputy director of Materials Division, deputy head of Personnel Department, head of Personnel Department and deputy general manager of China National Chemical Supply & Sales Corporation. Thereafter, he was the general manager of China National Chemical Supply & Sales (Group) Corporation from September 1998 to December 2009; general manager of China National Offshore Oil Corporation Marketing Branch Company from March 2008 to December 2013; general manager of CNOOC Chemical Import and Export Co., Ltd. from May 2008 to December 2009; deputy general manager of CNOOC Refinery & Petrochemicals and Sales Division from April 2009 to December 2011; and general manager of CNOOC Marketing Company from December 2009 to December 2013. He was appointed as chief economist of China National Offshore Oil Corporation in December 2013 and general manager of Refinery & Petrochemicals and Sales Department of China National Offshore Oil Corporation in February 2014. He was appointed as a non-executive Director of the Company in May 2014.

③Mr. **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 and was later awarded the title of 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; from January 2012 to January 2016 he has been deputy general manager of the Strategy and Planning Department of CNOOC and deputy general manager of the Strategy and Planning Department of CNOOC Limited. He was appointed as a non-executive Director of the Company in June 2012. Since January 2016, he has been executive vice president of Offshore Oil Engineering Co., Ltd. (a company listed on the Shanghai Stock Exchange) (海洋石油工程股份有限公司).

Executive Directors

④Mr. **Wang Hui**, born in 1964, graduated from Jilin University in 1987 with a bachelor's degree, majoring in International Law. Mr. Wang obtained a master degree of Business Administration from Tsinghua University in 2004 and was later awarded the title of senior economist. From August 1987 to June 1993, Mr. Wang served in the development division of China National Chemical Construction Corporation International Tendering Co., Ltd. (中國化工建設總公司國際招標公司); from June 1993 to October 1995, Mr. Wang served as business representative at the Germany representative office of China National Chemical Construction Corporation (中國化工建設總公司); from October 1995 to January 2000, Mr. Wang served successively as the senior project manager, deputy general manager and general manager in China National Chemical Construction Corporation International Tendering Co., Ltd.; from February 2000 to September 2009, he served successively as assistant to the general manager, deputy general manager, general manager and Secretary of Chinese Communist Party ("CCP") Committee in China National Chemical Construction Corporation; from March 2008 to September 2009, Mr. Wang served as the Secretary of CCP Committee of the Company; from August 2008 to September 2009, Mr. Wang served as the executive vice president of the Company; Mr. Wang served as the chairman of the board of directors of Shandong Haihua Group Co., Ltd. (山東海化集團有限公司) from October 2009 to September 2014; from June 2010 to December 2011, Mr. Wang served as the deputy general manager of CNOOC Refinery & Petrochemicals and Sales Division; from March 2010 to October 2014, Mr. Wang served as a director of Shandong Haihua Company Limited (山東海化股份有限公司); Mr. Wang was appointed as the Chief Executive Officer, president and secretary of CCP Committee of the Company in October 2014; he served as chairman of CBC (Canada) Holding Corp. (中海化學(加拿大)控股公司) and director of Western Potash Corp. (西部鉀肥公司)(a company listed on the Main Board of Toronto Stock Exchange, Canada) in November 2014; Mr. Wang was appointed as executive Director of the Company in December 2014 and as the chairman of CNOOC Kingboard Chemical Limited in January 2015.

Independent non-executive Directors

⑤Ms. **Lee Kit Ying**, born in 1948, obtained a bachelor's degree from City of London Polytechnic, U.K. (now known as London Metropolitan University) in 1979 majoring in accountancy and a master's degree from City University of Hong Kong in 1998 majoring in Financial Engineering. Ms. Lee is a senior 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, Ms. Lee is the 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 Century Iron Mines Corporation (世紀鐵礦有限公司)(a company listed on Toronto Stock Exchange, Canada). Ms. Lee served as 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) in the past three years.

⑥Mr. **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. Mr. Lee was a senior manager of the Listing Division of the Stock Exchange between December 1992 and April 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 2001 and February 2011; a consultant in Cheung & Choy solicitor & notaries between November 2011 and June 2014. Mr. Lee was appointed as an independent non-executive Director of the Company in June 2012; and is a consultant in Howse Williams Bowers from July 2014; Mr. Lee served as an independent non-executive director of Yuexiu REIT Asset Management Limited, Far East Holdings International Limited and Walker Group Holdings Limited (all are companies listed on the Main Board of the Stock Exchange) respectively in the past three years. Mr. Lee currently holds the positions of independent non-executive director respectively at Embry Holdings Limited, NetDragonWebsoft Inc., Asia Cassava Resources Holdings Limited, Futong Technology Development Holdings Limited, Newton Resources Ltd., Tenfu (Cayman) Holdings Company Limited, Landsea Green Properties Co., Ltd., Red Star Macalline Group Corporation Ltd., China Goldjoy Group Limited, FSE Engineering Holdings Limited and Ten Pao Group Holdings Limited, the shares of all of which are listed on the Stock Exchange.

⑦Mr. **Zhou Hongjun**, born in 1963, graduated from East China Petroleum Institute (now known as China University of Petroleum), with a bachelor's degree in Basic Organic Chemical Industry in 1985. He graduated from China University of Petroleum with a master's degree in Applied



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Chemistry in 1988. He graduated from China University of Petroleum with a doctorate degree in Chemical Technique and was later awarded the title of senior engineer (professor grade) in 2005. From June 1988 to November 2005, he was a manager of Institute of Qilu Petrochemical Company Industries Huabiao Company; since December 2005 he has been professor and director of Coal To Liquid Fuels and Coal To Chemicals Industry Research Center in China University of Petroleum; from November 2006 to November 2011, he was a professor and vice director of New Energy Research Center in China University of Petroleum; since December 2011 he has been a professor, executive deputy dean of New Energy Research Institute in China University of Petroleum. In May 2015 he was appointed as an independent non-executive Director of the Company.

Supervisors

⑧Mr. **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, and was later awarded the title of senior engineer. He acted as a sales representative and division head of China National Technical Import & Export Corporation (中國技術進出口總公司) 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 (中國技術進出口總公司投資公司) 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. (中技歐亞進出口有限公司) of China National Technical Import & Export Corporation from September 1995 to March 1997; and executive deputy general manager of CNTIC Trading Co., Ltd. (中技貿易股份有限公司) of China National Technical Import & Export Corporation from April 1997 to May 2000. He was an 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. (海洋石油工程股份有限公司) from April 2008 to March 2013. He was appointed as a supervisor representing the Shareholders 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..

⑨Mr. **Li Xiaoyu**, born in 1958, graduated from Shandong University, Department of Chemistry with a bachelor's degree of science majoring in Organic Chemistry in 1981. He graduated from the Major of Polymers Materials of the Department of Polymers of Beijing Institute of Chemical Technology (now known as Beijing University of Chemical Technology, (BUCT)) with a master's degree of engineering in 1985. He graduated from the Major of Materials Science of the Department of Materials Science of BUCT with a doctorate degree (on-the-job) of engineering and title of professor in 1998. From May 1985 to June 1987, he was a teaching assistant in the Department of Applied Chemistry of BUCT; from July 1987 to June 1994, he was a lecturer in the Department of Applied Chemistry and Department of Polymers of BUCT; from July 1994 to June 1998, he was an associate professor of the Department of Polymers of BUCT; from July 1997 to June 1999, he was an deputy dean of the College of Materials Science of BUCT; from July 1999 to January 2003, he served as the director of Science and Technology Department in BUCT. Mr. Li currently is the professor and Ph. D. candidate supervisor of the College of Materials Science of BUCT. In May 2015 he was appointed as an independent Supervisor of the Company.

⑩Ms. **Liu Lijie**, born in 1970, graduated from China Finance Institute (now known as School of Banking and Finance, University of International Business and Economics) in 1993 with a bachelor's degree majoring in International Finance, and was later awarded the title of senior accountant and she is a certified public accountant in China. Ms. Liu worked with the Finance Department of China National Chemical Construction Corporation ("CNCCC") from August 1993 to February 2003. She was 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



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the Finance Department of CNCCC from June 2007 to June 2008; assistant to the general manager of the Financial Management Department of the Company from July 2008 to August 2009; the deputy general manager of the Treasury Management Department of the Company from September 2009 to August 2012; the general manager of the Audit and Supervising Department of the Company from September 2012 to December 2015; the general manager of the Audit Department of the Company since December 2015. She was elected as the Supervisor Representing the Employees at the Employee Representative Meeting of the Company held in September 2012 and the chairman of the supervisor committee of CNOOC Tianye Chemical Limited in October 2014.

Senior management

⑪Mr. **Chen Kai**, born in 1957, graduated from the department of Philosophy of Sun Yatsen University in 1982 with a bachelor's degree majoring in Philosophy, and was later awarded the title of lecturer. From February 1982 to October 2001, he had served as deputy director of the Cultural Centre, head of the Publicity Division, Communist Youth League Committee secretary, head of General Office, and CCP Committee secretary of CNOOC Nanhai West Corporation (中國海洋石油南海西部公司) as well as CCP Committee secretary and secretary of the Disciplinary Committee of CNOOC Shipping Limited (中海石油船舶有限公司) 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 (now known as the Company) from October 2005 to April 2006 and chairman of CNOOC Tianye Chemical Limited (now known as CNOOC Tianye Chemical Limited) from February 2006 to October 2014. 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.

⑫Ms. **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, and was later awarded the title of 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 Communist Youth League Committee Organization Department and deputy secretary and secretary of the Communist Youth League Committee of the Education Department. 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 (中國海洋石油南海西部公司物業公司) from May 1998 to May 1999; deputy secretary of CCP Committee, secretary of the Disciplinary Committee and chairman of labour union of Zhanjiang Branch Company of CNOOC (中國海洋石油有限責任公司湛江分公司) 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. (中海石油基地集團有限責任公司) and CCP Committee secretary and secretary of the Disciplinary Committee of CNOOC Nanhai West Corporation from November 2004 to August 2007. Ms. Zhou was appointed as an executive vice president of the Company in August 2007.

⑬Mr. **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, and was later awarded the title of accountant. From July 1986 to June 1999, he served as an accountant, senior accountant, chief budgetary reporting supervisor and chief accountant at various divisions of CNOOC Nanhai East Corporation (中國海洋石油南海東部公司), manager of the Finance Department of the CNOOC QHD 32-6 Operating Branch Company (中國海油秦皇島32–6作業分公司) from June 1999 to September 2002; and manager of the Finance Department of the Tianjin Branch Company of CNOOC Limited (中國海洋石油有限公司天津分公司) 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) from December 2007 to October 2014.

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He was appointed as chairman of Shanxi Hualu Coal Chemical Ltd. in August 2009. He was appointed as a director of CNOOC Huahe Coal Chemical Ltd. in October 2014; and a director of CNOOC Kingboard Chemical Limited in January 2015.

⑭Mr. **Wang Weimin**, born in 1965, graduated from the department of Chemical Engineering of Hebei Institute of Technology (now known as Hebei University 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 was later awarded the title of senior engineer (professor grade). He was a technician at Qinhuangdao SinoArab 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. (中國—阿拉伯化肥有限公司, 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 from June 1998 to August 2005; 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. (湖北大峪口化工有限責任公司) from August 2005 to July 2012; assistant to the president 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 served as the chairman of Hubei Dayukou Chemical Co., Ltd. since November 2012. He was appointed as an executive director of China BlueChemical (Hong Kong) Ltd. (中海化學(香港)有限公司) in October 2014; and a director of CNOOC Kingboard Chemical Limited in January 2015.

⑮Mr. **Zhou Renlin**, born in 1962, graduated from Nanjing Maritime School (now known as Jiangsu Maritime Institute) in 1983 majoring in Ship Navigation. He graduated from Jianghan Petroleum University (now known as Yangtze 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 (中海石油南方船舶公司) from September 1983 to April 2000; manager of the Marine Technology Services Company of China Offshore Oil Southern Shipping Company (南方船舶海上技術服務公司) from April 2000 to November 2001; deputy manager of the Crew Services Company of CNOOC Shipping Company Limited (中海石油船舶有限公司船員服務公司) from November 2001 to October 2002; deputy general manager of Zhanjiang Branch Company 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 (海南八所港務有限責任公司) 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. He was appointed as the chairman of CNOOC Tianye Chemical Limited in October 2014.

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 2015.

Principal activities

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

Results

Profit of the Group for the year ended 31 December 2015 and the financial position of the Company and the Group as at that date are set out on pages 52 to 59 of the financial statements.

Business Review

A review of the business of the Company and a discussion and analysis of the Company's performance during the year, main risks and uncertain factors faced, and the material factors underlying its results and financial position are provided in the Management Discussion and Analysis on pages 6 to 15 and Independent Auditors' Report on page 51, respectively. Particulars of an important event affecting the Company that have occurred since the end of the financial year 2015 is set out in Notes to the Consolidated Financial Statements. The future development of the Company's business is discussed throughout this annual report including in the CEO's Report on pages 4 to 5 and Management Discussion and Analysis on pages 6 to 15. In addition, details regarding the Company's performance on environmental and social-related key performance indicators and policies are provided in the Quality, Health, Safety and Environmental Protection on pages 16 to 18; compliance with relevant laws and regulations which have a significant impact on the Company are provided in the "compliance with laws and regulations" of this Report of Directors; and an account of the Company's relationships with its employees, customers, suppliers, shareholders, etc. are disclosed, respectively, in "human resources and training" of Management Discussion and Analysis, Human Resources on page 19, and "major customers and suppliers" and "connected transactions" of this Report of Directors.

Dividends

The Board recommended the payment of a final dividend of RMB368.8 million for the year 2015, RMB0.08 per share (tax inclusive). The proposed final dividend for 2015 will be subject to the approval of the shareholders of the Company 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 2015 are set out in Note 42 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 2015 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 2015 are set out in Note 28 to the financial statements.

Pre-emptive rights

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

Debentures issued

No debentures were issued by the Company during the year ended 31 December 2015.

Equity-linked Agreements

No equity-linked agreements were entered into by the Company during the year ended 31 December 2015.

Permitted Indemnity Provision

The Company has arranged appropriate liability insurance to indemnify our Directors and senior officers for their liabilities arising out of corporate activities.

Purchase, sale or redemption of listed securities of the Company

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2015.

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 2015, the reserves available for distribution of the Company was RMB6,315.1 million.

Charitable donations

During the year, the Group made charitable donations of RMB2.71 million in total.

Major customers and suppliers

During the reporting period, sales to the Group's five largest customers accounted for 19% of the total sales for the year and sales to the largest customer included therein amounted to 8% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for 45% of the total purchases for the year and purchases from the largest supplier accounted for 25% of the total purchases for the year.

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

Directors and supervisors

The Directors and Supervisors of the Company as at 31 December 2015 were:

Executive Director:	
Wang Hui	Re-appointed on 28 May 2015
Non-executive Directors:	
Li Hui	Re-appointed on 28 May 2015
Zhou Dechun	Re-appointed on 28 May 2015
Zhu Lei	Re-appointed on 28 May 2015
Independent Non-executive Directors:	
Lee Kit Ying	Re-appointed on 28 May 2015
Lee Kwan Hung	Re-appointed on 28 May 2015
Zhou Hongjun	Appointed on 28 May 2015
Supervisors:	
Wang Mingyang	Re-appointed on 28 May 2015
Li Xiaoyu	Appointed on 28 May 2015
Liu Lijie	Elected at a meeting of the employee representatives held on 6 February 2015

Note: Due to other work commitments, Mr. Gu Zhongqin did not offer himself for re-election as the member of the fourth session of the Board at the end of his term on 28 May 2015. Mr. Huang Jinggui did not offer himself for re-election as the member of the fourth session of the Supervisory commitee at the end of his term on 28 May 2015 due to other work commitments.

Pursuant to the Articles, 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, 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 28 May 2015, 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 28 May 2015, or 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 6 February 2015 by the Company in which Ms. Liu Lijie was elected as the Supervisor representing the Company's employees of the fourth 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.

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 10 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 nor any entity connected with the Director or the Supervisor had a material interest, either directly or indirectly, in any material contract transaction or arrangement in relation to the business of the Group to which the Company, its holding Company, or any of its subsidiaries or fellow subsidiaries was a party subsisting at the end of 2015 or subsisted at any time during the year.

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

As at 31 December 2015, 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 2015, to the best knowledge of any of the Directors and chief executives of the Company, pursuant to the register 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 class 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	319,670,000 (L) (Note 2)	H Shares	18.05(L)	6.93(L)
Hermes Investment Management Ltd	Investment manager	125,158,000 (L)	H Shares	7.07(L)	2.71(L)
Edgbaston Investment Partners Limited	Investment manager	124,294,000 (L)	H Shares	7.02(L)	2.70(L)
Edgbaston Asian Equity Trust	Beneficial owner	107,048,000 (L)	H Shares	6.04(L)	2.32(L)
Mondrian Investment Partners Limited	Investment manager	106,304,000 (L)	H Shares	6.00(L)	2.31(L)

Notes: The letter (L) denotes long position.

(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 Holding Limited, Colonial First State Group Ltd, Colonial First State Asset Management (Australia) Limited, First State Investments Managers (Asia) Ltd, First State Investments (UK Holdings) Ltd, First State Investments (Hong Kong) Ltd, SI Holdings Limited, First State Investment Management (UK) Limited, Capital 121 Pty Limited and Colonial First State Investments Limited.

Save as disclosed above, to the best knowledge of any of the Directors and chief executives of the Company, as at 31 December 2015, 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 of the Group which required reporting and annual review in 2015 were as follows:

Connected persons

1 CNOOC and its associates

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

CNOOC Limited is a subsidiary of CNOOC 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 14A.13 of the Listing Rules and, therefore, connected persons of the Company pursuant to Rule 14A.07(4) of the Listing Rules.

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

CNOOC 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 14A.13 of the Listing Rules, and therefore connected persons of the Company pursuant to Rule 14A.07(4) of the Listing Rules.

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

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 Rule 14A.07 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.

Continuing connected transactions

1 Properties Leasing Agreement

The Group is required to lease certain properties from CNOOC Group as well as lease certain properties to CNOOC Group in the ordinary and usual course of its business. On 28 October 2014, the Company entered into the Properties Leasing Agreement with CNOOC on normal commercial terms, pursuant to which:

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

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

The term of the Properties Leasing Agreement will commence on 1 January 2015 and expire on 31 December 2017, but may be renewed upon agreement provided that the requirements of the Listing Rules in relation to connected transactions are complied with.

The transactions under the Properties Leasing Agreement are being conducted on normal commercial terms and conditions which shall not be less favorable than those offered to third parties and priced in accordance with the following principles: the property rent and management fees for each leased property shall be determined by both parties by taking into account factors including locations of the properties, the state of the properties and the property management service scope;

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

   (1) property rent: (i) shall not be higher than the property rent payable by other third party lessees of other properties owned by CNOOC Group or other owners (if any) in the same building; and (ii) shall not be higher than the property rent for the same or similar types of properties in the same area or the adjacent areas.

   (2) property management fees: (i) shall not be higher than the standard property management fees approved by the state pricing regulatory authorities (if any); (ii) shall not be higher than the property management fees payable by other third party lessees of other properties owned by CNOOC Group or other owners (if any) in the same building; and (iii) shall not be higher than the property management fees for the same or similar types of properties in the same area or the adjacent areas.

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

   (1) property rent: (i) shall not be lower than the property rent payable by other third party lessees of other properties owned by the Group or other owners (if any) in the same building; and (ii) shall not be lower than the property rent for the same or similar types of properties in the same area or the adjacent areas.

   (2) property management fees: (i) shall not be lower than the standard property management fees approved by the state pricing regulatory authorities (if any); (ii) shall not be lower than the property management fees payable by other third party lessees of other properties owned by the Group or other owners (if any) in the same building; and (iii) shall not be lower than the property management fees for the same or similar types of properties in the same area or the adjacent areas.

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

   In the year of 2015, the annual expenses paid by the Group for the properties leasing and management services from CNOOC Group were RMB27,942,000.

2 Natural Gas Sale and Purchase Agreements

(1) 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:

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

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

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

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

In addition to the above-mentioned three long-term natural gas sale and purchase agreements, as mentioned in the announcement of the Company dated 28 March 2012, as a result of the Reorganization, CNOOC Ranhua assumed a natural gas sale and purchase agreement dated 26 April 1996 entered into between Hainan Haikong Fuel & Chemical Co., Ltd.* (海南海控燃料化學股份有限公司) ("Hainan Haikong") and CNOOC Fudao Limited* (海洋石油富島有限公司) ("CNOOC Fudao") pursuant to which CNOOC Ranhua has agreed to continue to supply natural gas to the Company for Fudao Phase I Urea Plant. The prices of natural gas are subject to adjustments on a quarterly basis by reference to the prices of Four Major Types of Crude Oil quoted on Platts Crude Oil Marketwire during the preceding quarter (the agreement is hereafter referred to as "CNOOC Ranhua Natural Gas Sale and Purchase Agreement"). The natural gas stable delivery period under this agreement will expire in 2016. As the transactions hereunder were transactions conducted with an independent third party when the Company entered into the transactions and the transactions subsequently became continuing connected transactions of the Company as a result of the Reorganization in 2012, the transactions are only subject to the reporting, annual review and disclosure requirements of Chapter 14A of the Listing Rules pursuant to Rule 14A.60 of the Listing Rules. Consequently, no annual cap is required to be set for the transactions contemplated under this natural gas sale and purchase agreement.

(2) In anticipation of the expiry of the natural gas stable delivery period under the natural gas sale and purchase agreement between Hainan Haikong and CNOOC Fudao as mentioned above and in order to secure stable and reliable supply of natural gas for Fudao Phase I Urea Plant, the Company, CNOOC Fudao and CNOOC China Limited finalized and signed the Dongfang 1-1 Gasfield Phase I Adjusted Project Natural Gas Sale and Purchase Framework Agreement on 28 October 2014 pursuant to which CNOOC China Limited has agreed to supply to the Group with natural gas as feedstock required mainly for Fudao Phase I Urea Plant. The natural gas delivery period under this framework agreement is nine years commencing on 1 August 2015. which was approved by the shareholders at the extraordinarily general meeting hold on 29 December 2014.

The transactions under the Dongfang 1-1 Gasfield Phase I Adjusted Project Natural Gas Sale and Purchase Framework Agreement will be conducted on normal commercial terms and conditions which shall not be less favourable than those offered to independent third parties, and will be priced in accordance with a benchmark price which is determined with reference to the exploration, development and production cost of the gas field plus reasonable profit in principle. The parties will negotiate for the adjustment of the benchmark price in August each year taking into consideration of the factors such as change of the pricing policy by the state pricing regulatory authorities, prices of domestic energy markets, domestic prices for natural gas and change in CPIs. On 18 May 2015, the Company and the Company's relevant subsidiaries entered into Dongfang 1-1 Gasfield Phase I Adjusted Project Natural Gas Sale and Purchase Framework Agreement with CNOOC China Limited according to the principles laid down by this framework agreement.

The prices of Four Major Types of Crude Oil quoted on Platts Crude Oil Marketwire are:

(i) the four types of crude oil referred to in Dongfang 1-1 Offshore Gasfield Natural Gas Sale and Purchase Agreement, Natural Gas Sale and Purchase Framework Agreement and Ledong Natural Gasfields Natural Gas Sale and Purchase Agreement entered into between the Company and CNOOC China Limited and Dongfang 1-1 Offshore Gasfield Natural Gas Sale and Purchase Agreement entered into between CNOOC China Limited and CNOOC Jiantao are: West Texas Intermediate Crude Oil (西德克薩斯中質原油), 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);

(ii) the four types of crude oil referred to in the natural gas sale and purchase agreement between CNOOC Ranhua and CNOOC Fudao are: West Texas Intermediate Crude Oil (西德克薩斯中質原油), Dubai Crude Oil (迪拜原油), Brent Crude Oil (混合布倫特原油) and Minas Crude Oil (米納斯原油).

In 2015, the aggregate expenses of the Group on purchases of natural gas from CNOOC China Limited amounted to RMB2,231,894,000, while the expenses of the Group on purchases of natural gas from CNOOC Ranhua amounted to RMB241,120,000.

3 Comprehensive Services and Product Sales Agreement

On 28 October 2014, the Company entered into the Comprehensive Services and Product Sales Agreement ("Comprehensive Services and Product Sales Agreement") with CNOOC, which was approved by the Shareholders at the extraordinary general meeting held on 29 December 2014, pursuant to which:

(a) the Group has agreed to provide services and supplies to CNOOC Group (including but not limited to provision of offices and facilities, labour services, technical training services, project management services, logistics management services, accommodation/catering services, port management, logistics assistance and transportation services);

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

(c) the Group has agreed to sell products (urea, phosphate fertiliser, methanol, potash, Polyoxymethylene, ammonia etc.) to CNOOC Group and CNOOC Group has agreed to sell products (potash, medicament etc.) to the Group.

The term of the Comprehensive Services and Product Sales Agreement will commence on 1 January 2015 and will expire on 31 December 2017, but may be renewed upon agreement provided that the requirements of the Listing Rules in relation to connected transactionsare 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 will be priced in accordance with the following pricing principles:

1. As to the provision of services and supplies by the Group to CNOOC Group, to be priced in accordance with the following principles:

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

   (ii) with reference to the prices for the same type of services or supplies in the same areas charged on normal terms in the ordinary and usual course of its business by comparable independent third party service or supplies providers; or

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

2. As to the provision of services and supplies by CNOOC Group to the Group:

   (1) Engineering Services:

      (i) at government-prescribed prices: The "government-prescribed price" refers to the price determined by pricing regulatory authorities or other relevant authorities in accordance with its authorisation under the Price Law of the PRC.

(ii) where there is not a government-prescribed price, to be priced in accordance with the following principles:

1) not higher than the lower of the prices charged by CNOOC Group to its associates (excluding the Group) or comparable independent third parties (if any) for the same type of services or supplies;

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

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

(2) Telecommunication and Network Services, Construction Services, Management System/Technology Development Services, Equipment Leasing, Equipment Maintenance, Project Management Services, Labour Services, Materials/Equipment Procurement Services, Transportation Services, Technical Training Services, Catering, Accommodation, Medical, Insurance Services, Conference Services, Consultancy Services and Logistics Management Services:

The above-mentioned services and supplies shall be priced in accordance with the following principles:

(i) not higher than the lower of the prices charged by CNOOC Group to its associates (excluding the Group) or comparable independent third parties (if any) for the same type of services or supplies;

(ii) with reference to the prices for the same type of services and supplies in the same areas charged on normal terms in the ordinary and usual course of its business by comparable independent third party service or supplies providers; or

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

3. As to the sale of products by the Group to CNOOC Group, to be priced in accordance with the following principles:

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

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

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

4. As to the sale of products by CNOOC Group to the Group, to be priced in accordance with the following principles:

(i) not higher than the lower of the prices charged by CNOOC Group to its associates (excluding the Group) or comparable independent third parties (if any) for the same type of products;

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

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

Nevertheless, for the above-mentioned services, supplies and products without applicable government-prescribed price for now, when relevant government authorities publish a government-prescribed price in relation to the transactions contemplated under the Comprehensive Services and Product Sales Agreement during the term of the Comprehensive Services and Product Sales Agreement, the relevant prices shall be adjusted with reference to government-prescribed price accordingly. The Group may, from time to time when the situation requires, enter into separate agreements which will set out the specific scope of services, supplies and products, and the terms and conditions of providing such services, supplies and products according to the principles laid down by the Comprehensive Services and Product Sales Agreement.

The annual costs of services, supplies and products obtained by the Group from CNOOC Group in 2015 pursuant to the Comprehensive Services and Product Sales Agreement amounted to RMB180,835,000. The annual revenue from services, supplies and sales of products provided by the Group to CNOOC Group amounted to RMB1,260,825,000.

4 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 (the "Financial Services Agreement") with CNOOC Finance on 28 October 2014, pursuant to which CNOOC Finance will provide to the Group a range of financial services that the Group may require, including the following:

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

(2) deposit services;

(3) bank notes acceptance and discounting services;

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

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

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

The term of the Financial Services Agreement will commence on 1 January 2015 and expire on 31 December 2017 but may be renewed upon agreement provided that the requirements of the Listing Rules in relation to connected transactions are complied with.

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

(1) provision of loans to the Company: the interest rates for such loans are determined in accordance with the loan benchmark interest rates promulgated by the PBOC from time to time, and shall not be less favorable to the Group than those provided by independent third party financial institutions;

(2) deposit services: the interest rates for such deposits are determined in accordance with the deposit benchmark interest rates promulgated by the PBOC from time to time, and shall not be less favorable to the Group than those provided by independent third party financial institutions;

(3) bank notes acceptance and discounting services: the interest for bank notes discounting is borne by the relevant parties presenting the notes (not by the Group); 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 shall not be less favorable to the Group than those provided by independent third party financial institutions;

(4) arrangement of entrustment loans: the annual service fees are to be calculated based on the outstanding principal of the loans, and the aggregate amount of service fees and loan interest together shall not exceed the interest for securing a loan of the same term directly from independent third party financial institutions; and if there are standard rates promulgated by the PBOC or other competent regulatory authorities, the service fees shall be determined with reference to the standard rates promulgated by the PBOC or other competent regulatory authorities and shall not be less favorable to the Group than those provided by independent third party financial institutions;

(5) settlement services: no service fee will be charged; and

(6) other financial services: service fees shall be determined with reference to the relevant standard charging rate promulgated from time to time by the PBOC or other competent regulatory authorities, and shall not be less favorable to the Group than those provided by independent third party financial institutions.

Pursuant to the Financial Service Agreement entered into between the Company and CNOOC Finance, the Company shall be entitled to have a unilateral right of set-off such that, in the event of any misuse or default by CNOOC Finance in respect of amounts deposited with it by the Group, the Group will be able to offset the amount due to the Group from CNOOC Finance against the amount outstanding from the Group to CNOOC Finance. CNOOC Finance shall not be entitled to have any such 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. In 2015, the maximum daily balance of the Group's deposits placed in CNOOC Finance was RMB495,338,000.

5 Finance Lease Agreement

On 28 October 2014, the Company entered into a finance lease agreement (the "Finance Lease Agreement") with CNOOC Leasing, which was approved by the Shareholders at the extraordinary general meeting held on 29 December 2014, pursuant to which:

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

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

The term of the Finance Lease Agreement will commence on 1 January 2015 and expire on 31 December 2017, but may be renewed upon agreement provided that the requirements of the Listing Rules in relation to connected transactions are complied with.

The transactions contemplated under the Finance Lease Agreement will be conducted on normal commercial terms and conditions which shall not be less favourable than those provided to other third parties by CNOOC Leasing, and the consolidated rate of lease interest plus commission fees during the lease period shall not be higher than the available loan interest rate provided by the PRC commercial banks for the corresponding period. The Group may, from time to time when the situation requires, enter into separate agreements which will set out the specific terms and conditions of obtaining such finance lease services according to the principles laid down by the Finance Lease Agreement.

In 2015, the annual costs paid by the Group for the finance lease services provided by CNOOC Leasing under the Finance Lease Agreemnt amounted to RMB1,396,360,000.

6 Kingboard Product Sales and Services Agreement

The Company entered into a framework agreement for product sales and services (the "Kingboard Product Sales and Services Agreement") with Hong Kong Kingboard on 28 October 2014, pursuant to which 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.

The term of Kingboard Product Sales and Services Agreement will commence on 1 January 2015 and expire on 31 December 2017 but may be renewed upon agreement provided that the requirements of the Listing Rules in relation to connected transactions are complied with.

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

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

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

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

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

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

In 2015, the aggregate revenue of the Group from Hong Kong Kingboard and its associates for sales of products and provision of related services amounted to RMB328,078,000.

The annual cap and the actual transaction amount of each of the continuing connected transactions in 2015 are set out below:

	Annual cap amount for 2015 (RMB'000)	Actual transaction amounts for 2015 (RMB'000)
A. Continuing connected transactions with CNOOC and its associates		
(1) Leasing of certain properties by the Group from CNOOC Group under the Properties Leasing Agreement	29,877	27,942
(2) Purchases of natural gas by the Group from CNOOC China Limited under the Natural Gas Sale and Purchase Agreements	2,488,145	2,231,894
(3) Comprehensive Services and Product Sales Agreement		
(a) Provision of services, supplies and sales of products by CNOOC Group to the Group	221,691	180,835
(b) Provision of services, supplies and sales of products by the Group to CNOOC Group	1,793,372	1,260,825
(4) Financial Services Agreement		
(a) Deposits placed in CNOOC Finance by the Group (Note 1)	500,000	495,338
(5) Provision of finance lease services by CNOOC to the Group under the Finance Lease Agreement	2,424,200	1,396,360
(6) Purchases of natural gas by CNOOC Fudao from CNOOC Ranhua under the CNOOC Ranhua Natural Gas Sale and Purchase Agreement	-	241,120
B. Continuing connected transaactions with Hong Kong Kingboard and its associates		
Sales of products and provision of services by the Group to Hong Kong Kingboard and/or its associates under the Kingboard Product Sales and Services Agreement	596,201	328,078

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 continuing 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;
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.

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 2015 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.

Litigation and arbitration

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

The arbitration matter in relation to Shanxi Hualu Yangpoquan Coal Mining Co., Ltd. which commenced in 2014 is still pending (for details, please refer to the announcement dated 10 July 2014).

Compliance with Laws and Regulations

For the year ended 31 December 2015, so far is the Company is aware, the Company has complied with relevant laws and regulations that have material effect to the Company in all material aspects. The Company's compliance with relevant environmental protection laws and regulations are provided in the Quality, Health, Safety and Environmental Protection on pages 16 to 18.

Audit Committee

The 2015 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 2015 audited annual results with the management. There is no disagreement between the Audit Committee and Deloitte Touche Tohmatsu Certified Public Accountants, 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 in the 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 28 May 2015, 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 the 2014 annual general meeting of the Company.

The financial statements of the year have been audited by Deloitte Touche Tohmatsu Certified Public Accountants 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, 30 March 2016

Report of the Supervisory Committee

In 2015, 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 2015, the Supervisory Committee of the Company convened three physical meetings. The convening of the aforesaid meetings was in compliance with provisions of relevant laws and regulations and the Articles, the details of which were as follows:

(1) The First Meeting of the Supervisory Committee in 2015 was held in Shenzhen, Guangdong Province on 24 March 2015, at which the 2014 Report of the Supervisory Committee of China Bluechemical Ltd. and the resolutions on the non-employee representative Supervisor candidates of the new session of the Supervisory Committee to be appointed and the remunerations for Supervisors were considered and passed, the 2014 financial report of the Company was reviewed, and the key tasks of the Supervisory Committee for 2015 were formulated.

(2) The Second Meeting of the Supervisory Committee in 2015 was held in Beijing on 29 May 2015, at which the Chairman of the Supervisory Committee of the Company was elected.

(3) The Third Meeting of the Supervisory Committee in 2015 was held in Shenzhen, Guangdong on 24 August 2015, at which the 2015 interim financial report of the Company was reviewed.

2 Principal inspection and supervision work carried out by the Supervisory Committee in 2015

(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 irregular reviews of the Company's accounting books and vouchers, related contracts and other relevant information from time to time. Timely attention was paid to the effectiveness of the Company's disposal of its low- or nil-efficiency assets.

(2) Members of the Supervisory Committee attended one annual general meeting and, one H Shareholder's class meeting and one Domestic Shareholder's class meeting. Mr. Wang Mingyang, Chairman of the Supervisory Committee of the Company acted as scrutineer for the voting at the aforementioned three meetings, respectively.

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

(4) Key members of the Supervisory Committee irregularly communicated with the management of the Company as necessary to understand the progress of the structural adjustment to the industry profile and the reform and innovation about the transformation and upgrade of the Company.

(5) In 2015, members of the Supervisory Committee visited major production bases of the Company in Hubei to inspect production and operations and market development works of the key products at the base with a focus on the feasibility study and the progress of the application process of the investment projects, and the information on the control of the four indexes for the construction projects.

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 2015 issued by Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu Certified Public Accountants in accordance with domesticand 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 2016, 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, 28 March 2016

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 130, which comprise the consolidated statement of financial position as at 31 December 2015, 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.

Auditor's 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 financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 March 2016

Consolidated Statement of Profit or Loss

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Revenue	5	**10,671,841**	10,796,886
Cost of sales		**(8,925,894)**	(8,111,276)
Gross profit		**1,745,947**	2,685,610
Other income and gains	5	**399,864**	211,853
Selling and distribution expenses		**(409,408)**	(425,012)
Administrative expenses		**(408,347)**	(518,396)
Other expenses		**(24,293)**	(110,221)
Finance income	6	**9,778**	8,305
Finance costs	7	**(91,457)**	(9,456)
Net exchange (losses)/gain		**(22,273)**	8,499
Share of losses of joint ventures		**(609)**	(577)
Share of losses of associates		**(68,111)**	(477,000)
Impairment of assets	8	**-**	(1,260,395)
Profit before tax	9	**1,131,091**	113,210
Income tax	12	**(288,050)**	(16,157)
Profit for the year		**843,041**	97,053
Profit for the year attributable to:			
Owners of the parent		**829,657**	105,293
Non-controlling interests		**13,384**	(8,240)
		843,041	97,053
Earnings per share attributable to ordinary owners of the parent			
- Basic for the year (RMB)	14	**0.18**	0.02

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
Profit for the year	**843,041**	97,053
Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax		
Fair value gains on unlisted investment during the year	**274,607**	163,226
Less: Reclassification adjustment relating to disposal upon maturity	**(274,607)**	(163,226)
	-	-
Exchange differences arising on translation	**(20,927)**	(16,345)
Other comprehensive expense for the year, net of tax	**(20,927)**	(16,345)
Total comprehensive income for the year	**822,114**	80,708
Total comprehensive income for the year attributable to:		
Owners of the parent	**808,730**	88,948
Non-controlling interests	**13,384**	(8,240)
	822,114	80,708

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 2015

	Notes	2015 RMB'000	2014 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	15	9,783,087	9,908,502
Prepayments for property, plant and equipment		-	65,192
Mining and exploration rights	16	471,928	474,410
Prepaid lease payments	17	619,087	569,533
Intangible assets	18	32,464	16,236
Investments in joint ventures	19	212,449	213,058
Investments in associates	20	255,975	337,798
Available-for-sale investment	21	600	600
Deferred tax assets	22	677,575	688,418
Other long-term prepayment		12,000	12,000
		12,065,165	12,285,747
Current assets			
Inventories	23	1,406,243	1,227,525
Trade receivables	24	659,092	141,493
Bills receivable	25	124,820	66,271
Prepayments, deposits and other receivables	26	608,196	686,635
Pledged bank deposits	27	4,059	5,709
Time deposits with original maturity over three months	27	30,429	-
Cash and cash equivalents	27	5,313,907	5,525,928
		8,146,746	7,653,561
Total assets		20,211,911	19,939,308
Equity and liabilities			
Capital and reserves			
Issued capital	28	4,610,000	4,610,000
Reserves		8,876,281	8,436,351
Proposed dividends	13	368,800	553,200
		13,855,081	13,599,551
Non-controlling interests		1,026,493	1,149,735
Total equity		14,881,574	14,749,286

Consolidated Statement of Financial Position - continued

At 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Non-current liabilities			
Benefits liability	29	**41,276**	25,898
Interest-bearing bank borrowings	30	**900,000**	1,951,000
Deferred tax liabilities	22	**54,937**	58,866
Deferred revenue	31	**137,669**	144,077
Other long-term liabilities		**114,922**	116,559
		1,248,804	2,296,400
Current liabilities			
Interest-bearing bank borrowings	30	**67,280**	139,256
Trade payables	32	**924,515**	430,170
Bills payable	32	**107,271**	27,833
Other payables and accruals	33	**1,422,599**	1,569,405
Obligations under finance lease	34	**1,322,731**	565,992
Obligation arising from a put option to a non-controlling shareholder	39	**82,549**	87,398
Derivative financial instruments	39	**52,133**	50,072
Income tax payable		**102,455**	23,496
		4,081,533	2,893,622
Total liabilities		**5,330,337**	5,190,022
Total equity and liabilities		**20,211,911**	19,939,308
Net current assets		**4,065,213**	4,759,939
Total assets less current liabilities		**16,130,378**	17,045,686
Net assets		**14,881,574**	14,749,286

Wang Hui
Director

Lee Kit Ying
Director

Consolidated Statement of Changes in Equity

At 31 December 2015

	Note	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)
Balance at 1 January 2014		4,610,000	1,007,237*	878,806*	30,832*
Profit for the year		-	-	-	-
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-	-	-	-
Transfer from retained profits		-	-	61,481	-
Appropriation and utilisation of safety fund, net		-	-	-	(1,448)
Proposed 2014 final dividend	13	-	-	-	-
Dividends paid to non-controlling shareholders		-	-	-	-
Final 2013 dividend declared		-	-	-	-
Balance at 31 December 2014		4,610,000	1,007,237*	940,287*	29,384*
Balance at 1 January 2015		**4,610,000**	**1,007,237***	**940,287***	**29,384***
Profit for the year		-	-	-	-
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-	-	-	-
Transfer from retained profits		-	-	**54,820**	-
Appropriation and utilisation of safety fund, net		-	-	-	**10,749**
Proposed 2015 final dividend	13	-	-	-	-
Dividends paid to non-controlling shareholders		-	-	-	-
Final 2014 dividend declared		-	-	-	-
Balance at 31 December 2015		**4,610,000**	**1,007,237***	**995,107***	**40,133***

* These reserve accounts comprise the consolidated reserves of approximately RMB8,876,281,000 (2014: RMB8,436,351,000) 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 Company and its PRC subsidiaries are required to transfer an amount of their profit after income tax to the statutory reserve fund annually 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 and its subsidiaries and approval by the respective boards of directors.

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
6,990,696*	645,400	(6,968)*	14,156,003	1,345,228	15,501,231
105,293	-	-	105,293	(8,240)	97,053
-	-	(16,345)	(16,345)	-	(16,345)
105,293	-	(16,345)	88,948	(8,240)	80,708
(61,481)	-	-	-	-	-
1,448	-	-	-	-	-
(553,200)	553,200	-	-	-	-
-	-	-	-	(187,253)	(187,253)
-	(645,400)	-	(645,400)	-	(645,400)
6,482,756*	553,200	(23,313)*	13,599,551	1,149,735	14,749,286
6,482,756*	**553,200**	**(23,313)***	**13,599,551**	**1,149,735**	**14,749,286**
829,657	**-**	**-**	**829,657**	**13,384**	**843,041**
-	**-**	**(20,927)**	**(20,927)**	**-**	**(20,927)**
829,657	**-**	**(20,927)**	**808,730**	**13,384**	**822,114**
(54,820)	**-**	**-**	**-**	**-**	**-**
(10,749)	**-**	**-**	**-**	**-**	**-**
(368,800)	**368,800**	**-**	**-**	**-**	**-**
-	**-**	**-**	**-**	**(136,626)**	**(136,626)**
-	**(553,200)**	**-**	**(553,200)**	**-**	**(553,200)**
6,878,044*	**368,800**	**(44,240)***	**13,855,081**	**1,026,493**	**14,881,574**

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Cash flows from operating activities			
Profit before tax		1,131,091	113,210
Adjustments for:			
Finance costs	7	91,457	9,456
Share of losses of associates		68,111	477,000
Share of losses of joint ventures		609	577
Finance income		(9,778)	(8,305)
Gain on maturity of unlisted investments		(274,607)	(163,226)
Net losses on disposal of property, plant and equipment and prepaid lease payment		7,120	83,430
Depreciation of property, plant and equipment	15	866,991	827,567
Amortisation of mining rights	16	2,482	2,387
Amortisation of prepaid lease payments	17	15,500	15,854
Amortisation of intangible assets	18	5,288	10,008
Release of government grants		(2,468)	(1,386)
Reversal of allowance on doubtful receivables		(8)	(8)
Impairment of assets	8	-	1,260,395
Write-down of inventories to net realisable value		31,100	7,220
Change in fair value of obligation arising from a put option to a non-controlling shareholder	40	(4,849)	(5,396)
Loss on fair value changes of derivative financial instruments	40	2,061	2,587
		1,930,100	2,631,370
(Increase)/ decrease in inventories		(209,818)	131,060
Net increase in trade receivables and bills receivable, prepayments, deposits and other receivables		(559,671)	(168,281)
Net increase/ (decrease) in trade payables, bills payable, other payables and accruals, and other long-term liabilities		381,542	(178,890)
Increase in defined benefits liability		15,378	1,934
Cash generated from operations		1,557,531	2,417,193
Income tax paid		(203,605)	(675,231)
Net cash flows from operating activities		1,353,926	1,741,962

Consolidated Statement of Cash Flows - continued

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Cash flows from investing activities			
Interest received		9,778	8,305
Purchases of property, plant and equipment		(550,425)	(1,058,712)
Proceeds from disposal of property, plant and equipment		486	80
Proceeds of disposal of prepaid lease payment		-	13,031
Tax paid on disposal of land use right		-	(42,597)
Additions of intangible assets	18	-	(5,395)
Additions of mining right		-	(444)
Addition to investment in an associate	20	(3,464)	-
Purchase of available-for-sale investment		(12,902,000)	(12,461,930)
Disposal of available-for-sale investment		13,176,607	12,625,156
Government grants received		-	9,786
Placement of pledged bank deposits		(4,340)	(1,904)
Withdrawal of pledged bank deposits		5,990	1,860
Placement of time deposits with original maturity over three months		(70,202)	-
Withdrawal of time deposits with original maturity over three months		38,582	42,944
Net cash flows used in investing activities		(298,988)	(869,820)
Cash flows from financing activities			
Bank borrowings raised		3,519,321	2,723,636
Borrowing raised from sales and leaseback		1,340,391	630,474
Repayment of obligations under finance lease		(631,518)	(63,038)
Repayment of bank borrowings		(4,642,297)	(664,380)
Interest paid		(142,989)	(57,363)
Dividends paid		(553,200)	(645,400)
Dividends paid to non-controlling shareholders		(136,626)	(187,935)
Transaction charge paid for financial lease		(24,125)	(12,615)
Net cash flows (used in)/from financing activities		(1,271,043)	1,723,379
Net (decrease)/ increase in bank balances and cash		(216,105)	2,595,521
Cash and cash equivalents at 1 January		5,525,928	2,933,970
Effect of foreign exchange rate changes		4,084	(3,563)
Cash and cash equivalents at 31 December	27	5,313,907	5,525,928

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

1. Corporate information

China BlueChemical Ltd. (the "Company") was established in the People's Republic of China (the "PRC") on 3 July 2000 as a limited liability 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 compound fertiliser.

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.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

2. Adoption of new accounting policies

2.1 Application of amendments to International Financial Reporting Standards ("IFRSs")

In the current year, the Group has applied, for the first time, certain amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for the current year.

Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle

The application of amendments to IFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

2.2 New and amendments to IFRSs not yet effective and not early adopted

IFRS 9	Financial Instrument[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
Amendment to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendment to IAS 1	Discourse Initiative[3]
Amendment to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[3]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[3]
Amendment to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[3]
Amendments to IAS 7	Disclosure Initiative[5]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[5]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

3 Effective for annual periods beginning on or after 1 January 2016

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

5 Effective for annual periods beginning on or after 1 January 2017

Except for IFRS 9, IFRS 15 and IFRS 16, the directors of the Company do not anticipate that the application of the amendments to IFRSs above will have a material effect on the Group's consolidated financial statements.

IFRS 9 *Financial Instrument*

IFRS 9 issued in 2009 introduced new requirements for classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement category for certain simple debt instruments.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

2. Adoption of new accounting policies - continued

2.2 New and amendments to IFRSs not yet effective and not early adopted – continued

Key requirements of IFRS 9 are:

- All recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amotised 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and that have contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income. 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 of financial liabilities attributable to changes in the 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.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credits loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.
- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

IFRS 15 *Revenue from Contracts with Customers*

In May 2014, IFRS15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers; IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specially, the Standard introduces a 5-step approach to revenue recognition.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

2. Adoption of new accounting policies - continued

2.2 New and amendments to IFRSs not yet effective and not early adopted – continued

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e, when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company anticipate that the application of IFRS 9 and IFRS 15 in the future may have an impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 and IFRS 15 until a detailed review has been completed.

IFRS 16 *Leases*

IFRS 16, which upon the effective date will supersede IAS 17 Leases, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The directors of the Company will assess the impact of the application of IFRS 16. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of IFRS 16 until the Group performs a detailed review.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

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 ("Listing Rules") and Hong Kong Companies Ordinance ("CO").

The provisions of the new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with IFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidates financial statements.

These financial statements 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 derivative financial instruments and an obligation arising from a put option to a non-controlling shareholder, which have been measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. 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.

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.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

3. Significant accounting policies - continued

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 when the Company obtains control over the subsidiary and ceases when 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 2015

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.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the 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.

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.

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.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

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%

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

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

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

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

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.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

3. Significant accounting policies - continued

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
- 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 lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation year and the amortisation method for an intangible asset with a finite useful life are reviewed at 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.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

3. Significant accounting policies - continued

Impairment of non-financial assets - continued

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.

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) has 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 and the Company's statements 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 2015

3. Significant accounting policies - continued

Leases - continued

A sale and leaseback is a finance lease if it meets the condition that substantially all the risks and rewards of ownership remain with the seller-lessees, or it may be an operating lease. If the transaction gives rise to a finance lease, any excess of the sales proceeds over the carrying amount is deferred and amortised over the lease term.

The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

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 equivalents, 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, except 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 21. 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.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

3. Significant accounting policies - continued

Financial instruments - continued

Financial assets - continued

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.

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.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

3. Significant accounting policies - continued

Financial instruments - continued

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.

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.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

3. Significant accounting policies - continued

Financial instruments - continued

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.

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.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

3. Significant accounting policies - continued

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.

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.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

3. Significant accounting policies - continued

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 probable 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 Group's right to receive payment has been established.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

3. Significant accounting policies - continued

Benefits liability

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

CNOOC Tianye Chemical Limited ("CNOOC Tianye"), the Group's 92.27%-owned subsidiary and Hainan Basuo Port Limited ("Basuo Port "), the Group's 73.11%-owned subsidiary also pay early retirement benefits to qualifying early retirees in accordance with an internal retirement plan and post-employment allowances to retired employees in accordance with the local labour regulations (collectively "benefit liability"), as detailed in note 29. 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 of the Company are classified as a separate allocation of retained profits within the equity section of the consolidated statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

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 2015

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 22. 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 22.

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 is disclosed in note 9.

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 is disclosed in note 24.

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 prepaid lease payments, 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, prepaid lease payments and intangible assets, investments in joint ventures and associates, are disclosed in note 15, 16, 17, 18, 19 and 20 respectively.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

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 2015 is 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 39.

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. The measure reported for resources allocation and segment's performance assessment is the same as last annual financial statements. Hence, the Group has reportable operating segments as follows:

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

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

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

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

The accounting policies of the operating segments are the same as the Group's accounting policies describe in note 3. 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.

Inter-segment sales are determined on an arm's length basis in a manner similar to transactions with third parties.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

4. Operating segment information - continued

Operating segments

	Urea RMB'000	Phosphorus and compound fertiliser RMB'000	Methanol RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Year ended 31 December 2015						
Segment revenue:						
Sales to external customers	3,401,292	2,484,951	2,644,450	2,141,148	-	10,671,841
Inter-segment sales	-	-	-	195,248	(195,248)	-
Total	3,401,292	2,484,951	2,644,450	2,336,396	(195,248)	10,671,841
Segment profit before tax	799,051	188,614	48,471	79,422	-	1,115,558
Interest and unallocated income						301,214
Corporate and other unallocated expenses						(197,476)
Exchange losses, net						(22,273)
Change in fair value of derivative financial instruments						2,788
Share of losses of joint ventures						(609)
Share of losses of associates						(68,111)
Profit before tax						1,131,091
As at 31 December 2015						
Total segment assets	9,162,227	3,304,307	2,224,742	2,090,789	(116,387)	16,665,678
Unallocated						3,546,233
Total assets						20,211,911
Total segment liabilities	3,048,234	990,552	551,041	666,802	(131,466)	5,125,163
Unallocated						205,174
Total liabilities						5,330,337
Other segment information:						
Depreciation and amortisation	362,172	246,111	217,285	64,693	-	890,261
Investments in associates	-	-	-	255,975	-	255,975
Investments in joint ventures	-	-	-	212,449	-	212,449
Capital expenditure *	603,575	26,842	4,353	14,508	-	649,278

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

4. Operating segment information - continued

Operating segments - continued

	Urea RMB'000	Phosphorus and compound fertiliser RMB'000	Methanol RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Year ended 31 December 2014						
Segment revenue:						
Sales to external customers	3,390,203	2,636,490	3,284,176	1,486,017	-	10,796,886
Inter-segment sales	-	-	-	275,820	(275,820)	-
Total	3,390,203	2,636,490	3,284,176	1,761,837	(275,820)	10,796,886
Segment profit before tax	780,492	82,759	993,169	(1,227,722)	-	628,698
Interest and unallocated income						185,534
Corporate and other unallocated expenses						(234,753)
Exchange gains, net						8,499
Change in fair value of derivative financial instruments						2,809
Share of losses of joint ventures						(577)
Share of losses of associates						(477,000)
Profit before tax						113,210
As at 31 December 2014						
Total segment assets	8,184,363	3,080,415	2,894,761	2,081,064	(89,885)	16,150,718
Unallocated						3,788,590
Total assets						19,939,308
Total segment liabilities	2,597,867	1,310,965	485,548	637,280	(100,297)	4,931,363
Unallocated						258,659
Total liabilities						5,190,022
Other segment information:						
Depreciation and amortization	267,361	237,984	217,168	133,303	-	855,816
Impairment of property, plant and equipment	61,151	-	-	1,056,362	-	1,117,513
Impairment of prepaid lease payment	38,653	-	-	-	-	38,653
Impairment of intangible assets	-	-	-	104,229	-	104,229
Investments in associates	-	-	-	337,798	-	337,798
Investments in joint ventures	-	-	-	213,058	-	213,058
Capital expenditure *	828,738	113,152	2,399	23,056	-	967,345

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

4. Operating segment information - continued

Operating segments - continued

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

1 Inter-segment revenues are eliminated on consolidation.

2 Profit for each operating segment does not include interest and unallocated income, corporate and other unallocated expenses, exchange gains (losses), change in fair value of derivative financial instruments, share of losses of joint ventures and share of losses of associates.

3 Segment assets do not include deferred tax assets, available-for-sale financial assets, cash and bank balances managed on corporate level, 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

	2015 RMB'000	2014 RMB'000
Sales to external customers:		
- PRC	8,503,422	8,707,000
- Others	2,168,419	2,089,886
	10,671,841	10,796,886

(b) Non-current assets

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

Information about major customer

No single customer contributed 10% or more to the Group's revenue for both 2015 and 2014.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

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, and 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:

	2015 RMB'000	2014 RMB'000
Revenue		
Sale of goods	10,256,621	10,431,699
Rendering of services	415,220	365,187
	10,671,841	10,796,886
Other income and gains		
Gain on maturity of unlisted investments	274,607	163,226
Gain on disposal of property, plant and equipment	30	443
Gain on disposal of prepaid lease payments	77	-
Income from sale of other materials	57,798	25,384
Income from rendering of other services	23,985	3,085
Gross rental income	31,385	1,092
Government grants	10,771	18,461
Indemnities received	1,211	162
	399,864	211,853

6. Finance income

Finance income represents interest income on bank and financial institution deposits for the years ended 31 December 2015 and 2014.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

7. Finance costs

	2015 RMB'000	2014 RMB'000
Interest on bank and financial institution borrowings	142,907	59,905
Finance charges payable under other-long term liabilities and obligations under finance lease	12,687	5,045
Total interest expense on financial liabilities not at fair value through profit or loss	155,594	64,950
Less: Interest capitalised on qualifying assets	(64,137)	(55,494)
	91,457	9,456

8. Impairment of assets

There was no impairment charge in 2015. The impairment charges of RMB1,117,513,000, RMB38,653,000 and RMB104,229,000 for property, plant and equipment, prepaid lease payment and intangible assets, respectively, for the year ended 31 December 2014 relate to assets of CNOOC Hualu Shanxi Coal Chemical Co., Ltd. ("CNOOC Hualu") and the POM plant and related assets of CNOOC Tianye, both of which are non-wholly owned subsidiaries of the Company.

In June 2014, CNOOC Hualu was notified by the local land bureau that the land use right certificate of its idle land will be seized without compensation. Though the local land bureau has not invalidated the land use right certificate as of the date of the issuance of these financial statements, management was of the view, judging from the progress of the incident at the reporting date, that the Company is unable to retain the land use right in future. Therefore, management assessed the recoverable amounts of the land use right and related construction in progress on the land (included in property, plant and equipment), of which net carrying amounts amounted to RMB38,653,000 and RMB61,151,000, respectively as of 31 December 2014, to be nil, and full impairment was made accordingly in profit and loss for the year ended 31 December 2014.

As of the date of these financial statements, directors of the Company are of the view that there is no evidence the payables for acquisition of the land use right under the Notification amounting to RMB26,339,000 (2014: RMB26,339,000), presented under "Other long-term liabilities" and "Other payables and accruals", are no longer payable.

As at 31 December 2014, in the light of the continuous weak market prices for mid-to-low end POM reported in other segment caused by the severe overcapacity of POM production in China, the directors of the Company, as assisted by an independent valuer, conducted a review of the recoverable amount of the POM plant and related assets. The review led to the recognition of an impairment loss of RMB1,056,362,000 and RMB104,229,000 in profit or loss for property, plant and equipment and intangible assets (mainly patents and licenses), respectively. The recoverable amount of the POM plant and related assets has been determined on the basis of their value in use, at a discount rate of 10%.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

9. Profit before tax

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

	Notes	2015 RMB'000	2014 RMB'000
Cost of inventories sold		**8,640,642**	7,805,792
Cost of services provided		**254,152**	298,264
Depreciation	15	**866,991**	827,567
Amortisation of mining rights	16	**2,482**	2,387
Amortisation of prepaid lease payments	17	**15,500**	15,854
Amortisation of intangible assets included in administrative expense	18	**5,288**	10,008
Auditors' remuneration		**4,300**	3,900
Employee benefit expense (including directors' and supervisors' remuneration explained in note 10):			
Wages and salaries		**545,155**	660,915
Defined contribution pension scheme		**94,556**	91,945
Early retirement benefits and post-employment allowances		**25,534**	6,555
Medical benefit costs		**37,830**	43,436
Housing fund		**51,848**	50,268
		754,923	853,119
Reversal of allowance for doubtful receivables*		**(8)**	(8)
Loss on disposal of property, plant and equipment*		**6,902**	83,873
Change in fair value of obligation arising from a put option to a non-controlling shareholder*		**(4,849)**	(5,396)
Change in fair value of a derivative financial instrument*		**2,061**	2,587
Write-down of inventories to net realisable value, included in cost of sales		**31,100**	7,220

* 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 2015

10. Key management personnel remuneration

Details of the directors' and supervisors' remuneration for the year disclosed pursuant to the applicable Listing Rules and Companies Ordinance is as follows:

	Group	
	2015	2014
	RMB'000	RMB'000
Fees	**-**	-
Other emoluments:		
Salaries and other allowances	**1,227**	1,504
Discretionary bonuses	**988**	575
Pension scheme contributions	**38**	38
	2,253	2,117

The remuneration of each of the directors and supervisors of the Group for the year ended 31 December 2015 is set out below:

	Salaries and other allowances RMB'000	Discretionary bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Directors				
Non-executive directors				
Li Hui	**33**	**-**	**-**	**33**
Zhou Dechun	**39**	**-**	**-**	**39**
Zhu Lei	**39**	**-**	**-**	**39**
	111	**-**	**-**	**111**
The non-executive directors' remunerations shown above were mainly for their services as directors of the Company or its subsidiaries.				
Executive directors				
Wang Hui (Chief Executive)	**251**	**745**	**26**	**1,022**
The executive director's remunerations shown above were mainly for his services in connection with the management of the affairs of the Company and the Group.				
Independent non-executive directors				
Lee Kit Ying	**282**	**-**	**-**	**282**
Lee Kwan Hung	**282**	**-**	**-**	**282**
Zhou Hongjun (note 1)	**21**	**-**	**-**	**21**
Gu Zongqin (note 2)	**61**	**-**	**-**	**61**
	646	**-**	**-**	**646**
The independent non-directors' remunerations shown above were mainly for their services as directors of the Company.				
Supervisors				
Wang Mingyang	**19**	**-**	**-**	**19**
Liu Lijie	**121**	**243**	**12**	**376**
Huang Jinggui (note3)	**29**	**-**	**-**	**29**
Li Xiaoyu (note4)	**50**	**-**	**-**	**50**
	219	**243**	**12**	**474**
The supervisors' remunerations shown above were mainly for their services as directors of the Company or its subsidiaries.				
Total	**1,227**	**988**	**38**	**2,253**

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

10. Key management personnel remuneration - continued

The remuneration of each of the directors and supervisors of the Group for the year ended 31 December 2015 is set out below: - continued

Notes:

1 Zhou Hongjun was appointed as Independent Non-Executive director on 28 May 2015.

2 Gu Zongqin resigned as Independent Non-Executive director on 28 May 2015.

3 Huang Jinggui resigned as Supervisor on 28 May 2015.

4 Li Xiaoyu were appointed as Supervisor on 28 May 2015.

The remuneration of each of the directors and supervisors of the Group for the year ended 31 December 2014 is set out below:

	Salaries and other allowances RMB'000	Discretionary bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Directors				
Non-executive directors				
Li Hui	51	-	-	51
Yang Shubo (note 1)	15	-	-	15
Zhu Lei	54	-	-	54
Zhou Dechun	45	-	-	45
	165	-	-	165
The non-executive directors' remunerations shown above were mainly for their services as directors of the Company or its subsidiaries.				
Executive directors				
Yang Yexin (Chief Executive) (note 2)	225	137	23	385
Wang Hui (Chief Executive)	57	320	4	381
	282	457	27	766
The executive director's remunerations shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.				
Independent non-executive directors				
Gu Zongqin	188	-	-	188
Lee Kit Ying	308	-	-	308
Lee Kwan Hung	311	-	-	311
	807	-	-	807
The independent non-directors' remunerations shown above were mainly for their services as directors of the Company.				
Supervisors				
Wang Mingyang	24	-	-	24
Huang Jinggui	89	-	-	89
Liu Lijie	137	118	11	266
	250	118	11	379
The supervisors' remunerations shown above were mainly for their services as directors of the Company or its subsidiaries.				
Total	1,504	575	38	2,117

Notes:

1 Yang Shubo resigned as Non-executive directors on 23 May 2014.

2 Yang Yexin resigned as Chief Executives on 24 October 2014.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

11. Five highest paid employees

The five highest paid employees of the Group during the years ended 31 December 2015 and 2014 are analysed as follows:

	2015	2014
Directors and supervisors	1	-
Non-director and non-supervisor employees	4	5
	5	5

Details of the remuneration of non-director and non-supervisor highest paid employees during the years ended 31 December 2015 and 2014 are as follows:

	2015 RMB'000	2014 RMB'000
Salaries and other allowances	926	1,023
Discretionary bonuses	2,513	1,771
Pension scheme contributions	96	105
	3,535	2,899

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

	2015	2014
HK$ nil to HK$1,000,000	1	5
HK$1,000,000 to HK$1,500,000	3	-
	4	5

12. Income tax

	2015 RMB'000	2014 RMB'000
Current tax		
PRC Enterprise Income Tax	281,377	492,597
Deferred tax (note 22)	6,914	(493,314)
	288,291	(717)
(Over)/under provision in prior year	(241)	16,874
	288,050	16,157

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.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

12. Income tax - continued

(a) Enterprise income tax ("EIT")

Under the Enterprise Income Tax Law of the People's Republic of China (the "EIT Law") and Implementation Regulation of the CIT Law, the tax rate of the PRC subsidiaries is 25%.

Two subsidiaries of the Company, CNOOC Fudao Limited and Hubei Dayukou Chemical Co., Ltd, are entitled to preferential EIT rate of 15% for the three years ended 31 December 2016 after being assessed as high-tech enterprises from the year of 2014.

CNOOC (Hainan) E&P Gas Limited, a subsidiary of the Company, is taxed at 90% of its total amount taxable income, as CNOOC (Hainan) E&P Gas Limited is entitled to a tax incentive for its efficient use of resources in preferential.

(b) Hong Kong profits tax

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

(c) Corporate income tax in Canada

No provision for Canadian income tax has been made as the Group had no assessable profits arising in Canada.

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

	2015 RMB'000	2014 RMB'000
Profit before tax	1,131,091	113,210
Tax at the statutory tax rate of 25%	282,773	28,302
Effect of income that is exempt from taxation	(111)	(675)
Income tax on concessionary rate	(67,993)	(70,660)
(Over) under provision in respect of prior years	(241)	16,874
Tax effect of share of losses of joint ventures and associates	1,348	1,859
Tax effect of tax losses not recognised	46,728	17,864
Tax effect of deductible temporary differences not recognised	20,649	7,929
Expenses not deductible for tax	4,897	14,664
Income tax	288,050	16,157
The Group's effective income tax rate	25%	14%

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

13. Proposed dividends

	2015 RMB'000	2014 RMB'000
Proposed final dividends – RMB0.08 (2014: RMB0.12) per ordinary share	**368,800**	553,200

The proposed 2014 final dividend was approved at the annual general meeting on 28 May 2015. The proposed 2015 final dividend is subject to the approval of the Company's shareholders at the forthcoming 2015 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

	2015 RMB'000	2014 RMB'000
For the purposes of basic earnings per share:		
Earnings		
Profit for the year attributable to owners of the parent	**829,657**	105,293

	Number of shares	
	2015 '000	2014 '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 2015

15. Property, plant and equipment

	Land and buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Computer and electronic equipment RMB'000	Office and other equipment RMB'000	Construction in process RMB'000	Total RMB'000
As at 1 January 2015:							
Cost	4,763,905	11,073,906	186,771	1,076,684	352,411	3,448,455	20,902,132
Accumulated depreciation and impairment	(2,320,626)	(7,484,667)	(118,536)	(854,789)	(150,175)	(64,837)	(10,993,630)
Net carrying amount	2,443,279	3,589,239	68,235	221,895	202,236	3,383,618	9,908,502
Cost as at 1 January 2015, net of accumulated depreciation and impairment	2,443,279	3,589,239	68,235	221,895	202,236	3,383,618	9,908,502
Additions	1,748	11,957	1,632	2,834	127,215	603,548	748,934
Disposals	(3,338)	(2,287)	(858)	(180)	(57)	(638)	(7,358)
Transfer	579,632	2,973,623	549	40,964	56,869	(3,651,637)	-
Depreciation for the year	(231,433)	(503,488)	(8,676)	(67,725)	(55,669)	-	(866,991)
Cost as at 31 December 2015, net of accumulated depreciation and impairment	2,789,888	6,069,044	60,882	197,788	330,594	334,891	9,783,087
As at 31 December 2015:							
Cost	5,315,975	13,920,258	186,252	1,081,372	536,295	399,728	21,439,880
Accumulated depreciation and impairment	(2,526,087)	(7,851,214)	(125,370)	(883,584)	(205,701)	(64,837)	(11,656,793)
Net carrying amount	2,789,888	6,069,044	60,882	197,788	330,594	334,891	9,783,087

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

15. Property, plant and equipment - 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 2014:							
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
Cost as at 1 January 2014,							
net of accumulated depreciation and impairment	2,793,957	4,734,684	70,720	460,001	173,865	2,577,514	10,810,741
Additions	3,823	26,284	4,703	8,672	77,097	1,007,219	1,127,798
Disposals	(813)	(1,735)	(604)	(142)	(13)	(81,650)	(84,957)
Transfer	19,567	19,165	855	14,723	318	(54,628)	-
Impairment	(268,751)	(628,711)	(99)	(154,308)	(807)	(64,837)	(1,117,513)
Reclassification	99,113	(64,564)	1,170	(34,677)	(1,042)	-	-
Depreciation for the year	(203,617)	(495,884)	(8,510)	(72,374)	(47,182)	-	(827,567)
Cost as at 31 December 2014,							
net of accumulated depreciation and impairment	2,443,279	3,589,239	68,235	221,895	202,236	3,383,618	9,908,502
As at 31 December 2014:							
Cost	4,763,905	11,073,906	186,771	1,076,684	352,411	3,448,455	20,902,132
Accumulated depreciation and impairment	(2,320,626)	(7,484,667)	(118,536)	(854,789)	(150,175)	(64,837)	(10,993,630)
Net carrying amount	2,443,279	3,589,239	68,235	221,895	202,236	3,383,618	9,908,502

During the year, the Group has capitalised borrowing costs amounting to RMB64,137,000 (2014: RMB55,494,000) on qualifying assets. Borrowing costs were capitalized at the weighted average rate of its general borrowings of 6.10% (2014: 6.50%).

As at 31 December 2015, the Group has yet to obtain building ownership certificates for certain buildings with a net book value of approximately RMB761,911,000 (2014: RMB239,067,000). The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use the above mentioned buildings.

The carrying amount of equipment, which are held under finance lease arrangements, is approximately RMB1,386,733,000 as at 31 December 2015 (31 December 2014: RMB624,469,000). The details of the arrangement and the amount of obligation under finance lease are disclosed in note 34.

Details of the impairment loss on property, plant and equipment are disclosed in note 8.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

16. Mining and exploration rights

	Mining rights RMB'000	Exploration rights RMB'000	Total RMB'000
Cost as at 1 January 2015, net of accumulated amortisation	**93,346**	**381,064**	**474,410**
Transfer	**51,944**	**(51,944)**	**-**
Amortisation for the year	**(2,482)**	**-**	**(2,482)**
Cost as at 31 December 2015, net of accumulated amortisation	**142,808**	**329,120**	**471,928**
As at 31 December 2015:			
Cost	**158,665**	**329,120**	**487,785**
Accumulated amortisation	**(15,857)**	**-**	**(15,857)**
Net carrying amount	**142,808**	**329,120**	**471,928**
Cost as at 1 January 2014, net of accumulated amortisation	95,733	380,620	476,353
Addition	-	444	444
Amortisation for the year	(2,387)	-	(2,387)
Cost as at 31 December 2014, net of accumulated amortisation	93,346	381,064	474,410
As at 31 December 2014:			
Cost	106,721	381,064	487,785
Accumulated amortisation	(13,375)	-	(13,375)
Net carrying amount	93,346	381,064	474,410

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

17. Prepaid lease payments

	2015 RMB'000	2014 RMB'000
Carrying amount as at 1 January	**584,096**	638,603
Additions	**66,006**	-
Disposal	**(325)**	-
Impairment	-	(38,653)
Amortisation for the year	**(15,500)**	(15,854)
Carrying amount as at 31 December	**634,277**	584,096
Current portion included in prepayments, deposits and other receivables	**(15,190)**	(14,563)
Non-current portion	**619,087**	569,533

Details of the impairment loss on prepaid lease payments are disclosed in note 8.

As at 31 December 2015, the Group is in the process of applying for the title certificates of certain land use rights with a net book value of approximately RMB10,913,000, which was newly acquired in 2015. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use the above mentioned lands.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

18. Intangible assets

	Computer software RMB'000	Patents and licences RMB'000	Total RMB'000
Cost as at 1 January 2015, net of accumulated amortisation	11,106	5,130	16,236
Additions	1,887	19,629	21,516
Amortisation for the year	(4,503)	(785)	(5,288)
Cost as at 31 December 2015, net of accumulated amortisation	8,490	23,974	32,464
As at 31 December 2015:			
Cost	50,656	152,690	203,346
Accumulated amortisation	(42,166)	(128,716)	(170,882)
Net carrying amount	8,490	23,974	32,464

	Computer software RMB'000	Patents and licences RMB'000	Total RMB'000
Cost as at 1 January 2014, net of accumulated amortisation	9,750	115,328	125,078
Additions	5,395	-	5,395
Impairment	(290)	(103,939)	(104,229)
Amortisation for the year	(3,749)	(6,259)	(10,008)
Cost as at 31 December 2014, net of accumulated amortisation	11,106	5,130	16,236
As at 31 December 2014:			
Cost	48,769	133,061	181,830
Accumulated amortisation	(37,663)	(127,931)	(165,594)
Net carrying amount	11,106	5,130	16,236

Details of the impairment loss on intangible assets are disclosed in note 8.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

19. Investment in joint ventures

	2015 RMB'000	2014 RMB'000
Cost of investment in joint ventures	**215,167**	215,167
Share of post-acquisition profits and other comprehensive Income, net of dividends received	**(2,718)**	(2,109)
	212,449	213,058

The joint ventures are 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 attributable to the Company	Principal activities
Guizhou Jinlin Chemical Co., Ltd. (貴州錦麟化工有限責任公司)	PRC 12 April 2007	481,398	Direct Indirect	41.26 -	Phosphate mining and processing manufacture and sales of phosphate ore and chemical products
Yantai Port Fertiliser Logistics Co., Ltd. (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:

	2015 RMB'000	2014 RMB'000
The Group's share of loss/total comprehensive expenses	**(609)**	(577)
Aggregate carrying amount of the Group's investment in the joint ventures	**212,449**	213,058

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

20. Investment in associates

	2015 RMB'000	2014 RMB'000
Cost of investment in associates	715,501	807,715
Loss on deemed disposal of Western Potash Corporation ("WPC")	(30,170)	-
Share of post-acquisition profits and other comprehensive income, net of dividends received	(429,356)	(469,917)
	255,975	337,798

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 26.

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 2015	2014	Principal activities
Shanxi Hualu Yangpoquan Coal Mining Co., Ltd. ("Yangpoquan Coal") (山西華鹿陽坡泉煤礦有限公司)	PRC 3 August 2001	RMB52,000	Direct Indirect	49 -	49 -	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	- 50	- 36.56	Provision of overseas shipping services
Western Potash Corporation (西鉀公司)	Canada 5 April 2007	CA$140,944	Direct Indirect	- 10.1	- 19.9	Acquisition, evaluation, and exploration of mineral properties containing potash

On 16 September 2015, Beijing Tairui Innovation Capital Management Ltd. ("Tairui"), injected CAD$80 million into WPC for 51% shareholding or 238,264,635 shares, at CAD$0.3358 per share, and CBC (Canada) Holding Corp ("CBC (Canada)") subscribed 2,144,865 common shares in WPC, both on a non-diluted basis through newly issued shares by WPC to Tairui and CBC Canada. As a result, CBC (Canada)'s equity interest in WPC was diluted from 19.9% to 10.1%, and such dilution constituted a deemed partial disposal of associate by the Group, and a disposal loss of RMB30,170,000 was recognised in the profit or loss for the current year. Also, the management has concluded that CBC (Canada) still has significant influence over WPC and still consider WPC as its associate as it has one director in the board of WPC and is able to participate in WPC daily policy making and other resolutions.

Furthermore, based on the management's assessment of recoverable amount of WPC's net assets at RMB707,703,000 and the Group's share of 10.1% interest amounted to RMB71,478,000, an impairment of RMB33,157,000 was recognised and presented as "share of losses of associates" for the current year. The recoverable amount is determined based on discounted cash flow model covering the economic useful life, and pre-tax discount rate of 12%. Cash flows beyond the five-year approved management's budgets are prepared based on zero growth rate.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

20. Investment in associates - continued

During the year ended 31 December 2014, according to a notice from the Intermediate People's Court of Xinzhou City, Shanxi Province ("the Xinzhou Court"), all assets of Yangpoquan Coal, including mining rights, machineries and equipment, real estate, stock of raw coal and office supplies (the "Assets of Yangpoquan Coal') are to be foreclosed through auction in satisfaction of the defaulted and outstanding debts ("the Debts") of Yangpoquan Coal in the amount of RMB302,678,000 owed to Hequ Branch of Industrial and Commercial Bank of China Limited ("ICBC"). Due to the failure of the auction, the management took consideration the carrying amount of investment in Yangpoquan Coal, together with the relevant taxes and other costs to be incurred and the carrying amounts of liabilities of Yangpoquan Coal, the fair value less cost of disposal of Yangpoquan Coal was estimated to be RMB373,652,000 and the Group's share amounted to RMB183,090,000. Accordingly, an impairment of RMB470,140,000 was recognised and presented as "share of losses of associates" for the year ended 31 December 2014.

As approved by Xinzhou Court in April 2015, Shanxi Branch of China Cinda Asset Management Co., Ltd. ("Cinda") bought the Debts from ICBC and becomes the applicant for the said auction in place of ICBC. For the current year ended 31 December 2015, Cinda has not initiated any proceeding to exercise its rights assumed from ICBC. The directors of the Company are of the view that no further impairment indicators present and no further impairment charge is required for the current year.

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

	2015 RMB'000	2014 RMB'000
The Group's share of loss/total comprehensive expenses	(68,111)	(477,000)
Dividends received from the associate during the year	-	-
Aggregate carrying amount of the Group's investment in the associates	255,975	337,798

21. Available-for-sale investment

	2015 RMB'000	2014 RMB'000
Non-current		
Unlisted equity investment, at cost	600	600

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

22. 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:

	2015 RMB'000	2014 RMB'000
Deferred tax assets	677,575	688,418
Deferred tax liabilities	(54,937)	(58,866)
	622,638	629,552

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

	Accelerated tax depreciation RMB'000	Impairment losses RMB'000	Wages and salaries RMB'000	Financial instruments fair value changes RMB'000	Fair value adjustment on acquisition of subsidairies RMB'000	Unused tax losses RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2014	13,691	89,904	7,802	11,871	(62,175)	64,426	10,719	136,238
(Charge) credit to profit or loss	15,814	427,559	2,225	647	3,309	50,913	(7,153)	493,314
As at 31 December 2014 and 1 January 2015	29,505	517,463	10,027	12,518	(58,866)	115,339	3,566	629,552
(Charge) credit to profit or loss	(1,922)	7,963	(746)	515	3,929	(12,873)	(3,780)	(6,914)
As at 31 December 2015	27,583	525,426	9,281	13,033	(54,937)	102,466	(214)	622,638

As at 31 December 2015, the Group has unused tax losses of RMB723,994,000 (31 December 2014: RMB588,576,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB409,865,000 (31 December 2014: RMB461,356,000) of such losses. No deferred tax asset has been recognised in respect of the remaining RMB314,129,000 (31 December 2014: RMB127,220,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of RMB314,129,000 (31 December 2014: RMB127,220,000) that will expire in 5 years.

At the end of the reporting period, the Group has deductible temporary differences of RMB145,620,000 (31 December 2014: RMB63,024,000). 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.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

23. Inventories

	2015 RMB'000	2014 RMB'000
Raw materials and spare parts	435,294	464,701
Work in progress	340,390	280,778
Finished goods	630,559	482,046
	1,406,243	1,227,525

24. 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 customers are mainly on credit. The credit period is generally one month, except for some high-credit customers, where payments may be extended.

	2015 RMB'000	2014 RMB'000
Trade receivables	659,099	141,500
Less: allowance for doubtful debts	(7)	(7)
	659,092	141,493

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:

	2015 RMB'000	2014 RMB'000
Within six months	655,003	133,366
Over six months but within one year	1,861	3,727
Over one year but within two years	1,314	3,476
Over two years	914	924
	659,092	141,493

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

24. Trade receivables - continued

The allowance for doubtful debts relate to an allowance made for individually impaired trade receivables with an aggregate carrying amount of RMB7,000 (2014:RMB7,000), which were in financial difficulties and none of the receivables is expected to be recovered. There is no movement in the allowance for doubtful debts for the two reporting periods.

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

	2015 RMB'000	2014 RMB'000
Neither past due nor impaired	**656,986**	135,980
Less than one month past due	**1,861**	3,727
One to three months past due	**245**	1,786
	659,092	141,493

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 2015, 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 RMB444,379,000 (2014: RMB29,478,000). The amount due is unsecured, non-interest-bearing and repayable on similar credit terms to those offered to the major customers of the Group.

25. Bills receivable

The bills receivable of the Group as at 31 December 2015 and 2014 are all mature within six months.

At 31 December 2015, the Group has transferred bills receivables having maturity less than six months from the reporting dates to its suppliers to settle its payables through endorsing the bills to its suppliers amounted to RMB107,968,000 (2014: RMB108,613,000). 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 2015, 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 RMB107,968,000 (2014: RMB108,613,000).

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

26. Prepayments, deposits and other receivables

	2015 RMB'000	2014 RMB'000
Prepayments	221,603	216,921
Prepaid lease payments	15,190	14,563
Deposits and other receivables	70,733	141,089
Value Added Tax ("VAT") recoverable	300,670	314,062
	608,196	686,635

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, which are unsecured, non-interest bearing and have no fixed repayment terms, can be analysed as follows:

	2015 RMB'000	2014 RMB'000
Ultimate holding company	-	2,598
CNOOC group companies	25,283	30,021
Associates	8,155	8,155
Joint ventures	-	643
	33,438	41,417

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

27. Cash and cash equivalents and pledged bank deposits

	2015 RMB'000	2014 RMB'000
Cash and bank and financial institution balances	**5,348,395**	5,531,637
Less: Deposits pledged for bills payable	**(4,059)**	(5,709)
Time deposits with original maturity over three months	**(30,429)**	-
Cash and cash equivalents in the consolidated statement of financial position and statement of cash flows	**5,313,907**	5,525,928

The Group's cash and bank balances were denominated in RMB as at 31 December 2015 and 2014, except for amounts of RMB221,871,000 (2014: RMB62,758,000) which was translated from USD34,168,000 (2014: USD10,232,000); and RMB39,000 (2014: RMB636,000) which was translated from HKD 47,000(2014: HKD806,000); and RMB22,000(2014: Nil) which was translated from EUR 3,000(2014: Nil); and RMB31,245,000 (2014: RMB40,317,000) which was translated from CAD 6,674,000 (2014: CAD7,642,000).

The RMB is not freely convertible into other currencies. However, under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

As at 31 December 2015, included in the Group's cash and cash equivalents were RMB467,906,000 (2014: RMB589,292,000) deposited in CNOOC Finance Corporation Limited ("CNOOC Finance"), a subsidiary of the ultimate holding company and a licensed financial institution.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates.

28. 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 2015 and 2014	**4,610,000**	**4,610,000**

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

29. Benefit liability

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

	2015 RMB'000	2014 RMB'000
Post-employment allowances	**15,587**	14,793
Early retirement benefits	**25,689**	11,105
Total benefit liability	**41,276**	25,898

Movement of post-employment allowances are as follows:

	Post-employment Allowances RMB'000	Early Retirement Benefits RMB'000
As at 1 January 2014	13,844	10,120
Current service cost	43	-
Net interest cost	2,257	3,666
Benefits paid	(1,351)	(2,681)
As at 31 December 2014 and 1 January 2015	**14,793**	**11,105**
Current service cost	**51**	**-**
Past service cost - plan amendments	**-**	**16,809**
Net interest cost	**2,100**	**2,387**
Benefits paid	**(1,357)**	**(4,612)**
As at 31 December 2015	**15,587**	**25,689**

The principal assumptions used in determining post-employment allowances and early retirement benefits of the Group as at 31 December 2015 are shown below:

	Post-employment Allowances 2015	Early Retirement Benefits 2015
Discount rate		
-CNOOC Tianye	**3.00%**	**3.00%**
-Basuo Port	**-**	**2.75%**
Annual growth rate of employee benefits	**0.00%~1.00%**	**0.00%~4.00%**

The directors of the Company have reviewed the actuarial valuation as at 31 December 2015 which was performed by Towers Watson 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 2015. 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 2015

30. Interest-bearing bank borrowings

	2015 RMB'000	2014 RMB'000
Unsecured bank loans repayable:		
Within one year	67,280	139,256
More than one year, but not more than five years	90,000	277,000
More than five years	810,000	1,674,000
	967,280	2,090,256

The unsecured bank loans have effective interest rates of 1.35%-5.40%, payable within 2016 and 2023. The amounts due are based on the scheduled repayment dates set out in the loan agreements.

31. 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.

	2015 RMB'000	2014 RMB'000
Balance at beginning of the year	144,077	135,677
Additions	-	9,786
Credited to the consolidated statement of profit or loss during the year	(2,468)	(1,386)
Refund to governments	(3,940)	-
Balance at end of the year	137,669	144,077

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

32. 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, based on invoice date, is as follows:

	2015 RMB'000	2014 RMB'000
Within six months	**1,002,450**	365,143
Over six months but within one year	**4,893**	76,992
Over one year but within two years	**11,250**	12,952
Over two years but within three years	**12,034**	1,508
Over three years	**1,159**	1,408
	1,031,786	458,003

As at 31 December 2015, the amounts due to CNOOC group companies included in the above trade payable and bills payable balances amounted to RMB198,819,000 (2014: RMB131,518,000).

33. Other payables and accruals

	2015 RMB'000	2014 RMB'000
Advances from customers	**341,484**	363,857
Accruals	**8,925**	11,314
Accrued payroll	**157,452**	306,214
Other payables	**190,558**	223,257
Long-term liabilities due within one year	**1,798**	1,798
Interest payable	**2,089**	3,285
Payable to government	**97,603**	100,848
Other tax payables	**24,834**	30,156
Port construction fee payable	**164,656**	164,656
Payables in relation to the construction and purchase of property, plant and equipment	**433,200**	364,020
	1,422,599	1,569,405

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

33. Other payables and accruals - continued

The amounts due to the ultimate holding company, CNOOC group companies and other related parties included in the above, which are unsecured, non-interest bearing and have no fixed repayment terms, can be analysed as follows:

	2015 RMB'000	2014 RMB'000
Due to the ultimate holding company	532	532
Due to CNOOC group companies	80,983	46,403
Due to other related parties	8,812	27,581
	90,327	74,516

34. Obligations under finance leases

The Group entered into sale and leaseback arrangements with CNOOC International Financial Leasing Limited ("CNOOC Leasing") for certain of its manufacturing equipment which results in obligations under finance leases. The lease term is intended to extend beyond one year and is renewed every 12-month period. In 2015, the interest rate applicable to Hubei Dayukou Chemical Co., Ltd. was around 2.2% per annum varying based on the three month USD London Interbank Offered Rate ("LIBOR") and the interest rate applicable to CNOOC Huahe Coal Chemical Ltd. was fixed at 2.66% per annum. The Group has option to purchase the equipment for a nominal amount at the end of the lease terms. No arrangements have been entered into for contingent rental payments.

	Minimum lease payments		Present value of minimum lease payments	
	31/12/2015 RMB'000	31/12/2014 RMB'000	31/12/2015 RMB'000	31/12/2014 RMB'000
Amounts payable under finance leases:				
Due for settlement within 12 months	1,351,387	574,552	1,322,731	565,992
Less: future finance charges	28,656	8,560	-	-
Present value of lease obligations	1,322,731	565,992	1,322,731	565,992

As at 31 December 2015, amounts of RMB321,562,000 (2014: RMB565,992,000) of the Group's financial lease obligations were translated from USD49,754,000 (2014: USD93,897,000) .

35. Operating lease arrangements

(i) As lessor

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 and third-party companies.

As at 31 December 2015 and 2014, the Group had total future minimum lease receivables from third-party companies and 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:

	2015 RMB'000	2014 RMB'000
Within one year	8,425	1,973
In the second to fifth years, inclusive	8,919	6,712
After five years	3,048	5,469
	20,392	14,154

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

35. Operating lease arrangements - continued

(ii) As lessee

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 2015 and 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015 RMB'000	2014 RMB'000
Within one year	12,724	14,923
In the second to fifth years, inclusive	4,494	6,865
After five years	2,679	3,079
	19,897	24,867

36. Commitments and contingent liabilities

Capital commitments

In addition to the operating lease commitments detailed in note 35(ii) above, the Group had the following capital commitments at the end of the reporting year:

	2015 RMB'000	2014 RMB'000
Contracted, but not provided for acquisition of plant and machinery	99,682	307,306

Contingent Liabilities

In July 2014, Yangpoquan Coal commenced arbitration against the Company in respect of its interrupted operation in Yangpoquan Coal due to its disputes with the Company regarding the management of Yangpoquan Coal and other matters and claims compensation for damages for its losses suffered as a result of the aforesaid matters. The third hearing was held on 22 April 2015, now pending for arbitration awards. The Group has been advised by its legal counsel that it is not probable that a significant liability will arise. Accordingly, no provision in relation to this claim has been recognised in these consolidated financial statements.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

37. Related party transactions

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

(1) Recurring

	Note	2015 RMB'000	2014 RMB'000
(A) Included in revenue, other income and gains			
(a) CNOOC group companies			
Sale of goods	(i)	1,106,412	167,725
Provision of transportation services	(ii)	828	836
Provision of packaging and assembling services	(ii)	96,693	35,630
Provision of logistics services	(ii)	25,839	1,746
Provision of labor services	(ii)	50	61
Provision of utilities	(i)	56,130	21,074
(b) Other related parties			
Sale of goods	(i)	310,404	405,463
Provision of transportation services	(ii)	17,674	20,226
(B) Included in cost of sales and other expenses			
(a) CNOOC group companies			
Purchase of raw materials	(i)	2,553,066	2,360,343
Transportation services	(ii)	2,451	79,361
Lease of offices	(iii)	27,942	27,817
Construction and installation services	(iv)	46,638	5,684
Labor services	(v)	39,776	35,032
Insurance services	(v)	-	20,335
Network services	(v)	9,277	6,175
Logistics services	(v)	2,404	2,217
Purchase of property, plant and equipment	(i)	-	3,308
(b) The ultimate holding company			
Network services	(v)	237	2,061
(C) Included in loans and finance income/costs			
(a) CNOOC Finance			
Finance income from CNOOC Finance	(vi)	2,846	3,881
Fees and charges paid to CNOOC Finance	(vi)	1,150	3,266
Interests paid to CNOOC Finance	(vi)	12,116	360
Loans received from CNOOC Finance	(vi)	1,605,363	50,000
(D) Included in finance leaseback			
(a) CNOOC Leasing			
Finance lease charges	(vii)	17,105	12,614
Interest on finance leaseback	(vii)	11,518	3,202
Borrowing raised from finance leaseback	(vii)	1,340,391	630,474

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

37. Related party transactions - continued

(1) Recurring - continued

Notes:

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

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

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

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

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

(vi) Finance income/fees and charges/cost/loans were based on mutually agreed terms.

(vii) Finance lease charges/Interest on finance lease/finance Lease were based on mutually agreed terms.

Except for finance income from CNOOC Finance, the above transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(2) Balances with related parties

Details for following balances are mainly set out in notes 24, 25, 26, 32, 33 and 34. 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.

	Due from related parties		Due to related parties	
	31/12/2015	31/12/2014	**31/12/2015**	31/12/2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
The ultimate holding company	**-**	2,598	**532**	532
CNOOC group companies (excluding CNOOC Finance)	**469,662**	63,847	**1,604,762**	747,253
Associates	**8,155**	8,155	**-**	-
Jointly Controlled Enterprise	**-**	643	**-**	-
CNOOC Finance	**-**	-	**273**	27
Other related parties	**-**	-	**8,812**	27,581

In addition, as at 31 December 2015, the deposits placed by the Group with CNOOC Finance were amounted to RMB467,906,000 (31 December 2014: RMB589,292,000), as detailed in note 27.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

37. Related party transactions - continued

(3) Compensation of key management personnel of the Group

	2015 RMB'000	2014 RMB'000
Short-term employee benefits	7,367	5,337
Post-employment benefits	176	171
Total compensation paid to key management personnel	7,543	5,508

Further details of directors' and supervisors' emoluments are set out in note 10.

(4) Transactions with other state-owned enterprises ("SOE") in the PRC

The Group has entered into extensive transactions covering the sales of goods and rendering of services, receipt of construction services, purchases of goods, services or property, plant and equipment and making deposits and borrowings with state-owned banks in the PRC, with SOEs other than CNOOC group companies, in the normal course of business at terms comparable to those with other non-SOEs. Certain specific and major raw materials provided by SOE suppliers are from Western Natural Gas (the "WNG") and WNG mainly supplied natural gas to CNOOC Tianye. As of 31 December 2015, the Group made a total procurement of RMB588,324,000 from WNG (2014: RMB531,283,000). Methanol sold by the Company and CNOOC Kingboard Chemical Limited to the Southern branch of Sinopec Chemical Commercial Holding Company Limited constituted most of the sales to SOEs. For the year ended 31 December 2015, the sales amount reached RMB296,820,000 (2014: RMB418,871,000). Except for the above two SOEs, sales to and procurements from other SOEs are considered as specific but not significant transactions.

In addition, the Group has certain of its cash, pledged bank deposits and time deposits and outstanding interest-bearing bank borrowings with certain state-owned banks in the PRC as at 31 December 2015, as summarised below:

	2015 RMB'000	2014 RMB'000
Cash and cash equivalents	5,288,255	5,524,561
Pledged bank deposits	4,059	5,709
Time deposits	30,429	-
	5,322,743	5,530,270
Long-term bank loans (note 30)	900,000	1,951,000

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 2015

38. 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:

	2015		
	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	659,092	-	659,092
Bills receivable	124,820	-	124,820
Financial assets included in deposits and other receivables	70,733	-	70,733
Pledged bank deposits	4,059	-	4,059
Time deposits	30,429	-	30,429
Cash and cash equivalents	5,313,907	-	5,313,907
	6,203,040	600	6,203,640

	2015			
	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Obligations under finance lease	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities				
Trade and bills payables	-	1,031,786	-	1,031,786
Financial liabilities included in other payables and accruals	-	888,106	-	888,106
Obligations under finance lease	-	-	1,322,731	1,322,731
Interest-bearing bank borrowings	-	967,280	-	967,280
Obligation arising from a put option to a non-controlling shareholder	82,549	-	-	82,549
Derivative financial instruments	52,133	-	-	52,133
Other long-term liabilities	-	27,758	-	27,758
	134,682	2,914,930	1,322,731	4,372,343

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

38. Financial instruments by catrfory - continued

	2014		
	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	141,493	-	141,493
Bills receivable	66,271	-	66,271
Financial assets included in deposits and other receivables	141,089	-	141,089
Pledged bank deposits	5,709	-	5,709
Cash and cash equivalents	5,525,928	-	5,525,928
	5,880,490	600	5,881,090

	2014			
	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Obligations under finance lease	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities				
Trade and bills payables	-	458,003	-	458,003
Financial liabilities included in other payables and accruals	-	856,066	-	856,066
Obligations under finance lease	-	-	565,992	565,992
Interest-bearing bank borrowings	-	2,090,256	-	2,090,256
Obligation arising from a put option to a non-controlling shareholder	87,398	-	-	87,398
Derivative financial instruments	50,072	-	-	50,072
Other long-term liabilities	-	28,531	-	28,531
	137,470	3,432,856	565,992	4,136,318

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

39. 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). 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 (Canada) respectively. CBC (Canada) is considered a subsidiary of the Company as the Company controls CBC (Canada) unilaterally by its 60% voting rights.

On 20 June 2013, CBC (Canada) subscribed 45,040,876 newly issued common shares of 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 (Canada) 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 a capital injection by Tairui and subscription by CBC (Canada) as detailed in note 20, CBC (Canada) held 10.1% of WPC as of 31 December 2015.

Pursuant to terms in the Agreement, supplemented by an amendment to the Agreement signed on 17 June 2015 (the "Amendment") and the communication letters signed between the Company and Benewood on 18 December 2015 (the "Letters"), 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. thirty-three months 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;

iii. ten business days after the date on which a pilot project decision 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 (i, ii and iii are hereinafter referred to the "Exercise Period").

Benewood have the right to sell to the Company, and require the Company to acquire all of the Benewood's equity interest of CBC (Canada) during the Exercise Period 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%.

Up to 31 December 2015, only pilot project with scale smaller than and capital cost lower than that relates to decision to Mine have been in place. As of the date of issuance of these consolidated financial statements, neither Decision to Mine nor a pilot project decision has been made by WPC.

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 2015 approximated CA$17,633,000 (equivalent to RMB82,549,000) (31 December 2014: CA$16,567,000 (equivalent to RMB87,398,000)) was determined based on discounted cash flow method.

Under the same Agreement, supplemented by the Amendment and the Letters, Benewood granted a call option (the "Call Option") to the Company, which is exercisable at any time prior to the earlier of (a) thirty-three months 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; and (c) ten Business Days after the date on which a pilot project decision is made by WPC in events of the following conditional events (the "Conditional Events"):

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

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

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

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

iii. a decision is made by the board of directors of CBC (Canada) to transfer to a third party all of the shareholding interest held by the CBC (Canada) in WPC 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 (Canada) 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 RMB52,133,000 as at 31 December 2015 (31 December 2014: RMB50,072,000) .

The fair values of the Put Option and Call Option as at 31 December 2015 have been determined by using a Black-Scholes option pricing model with the following assumptions:

	CA$'000
Exercise price	17,760
Share price	6,240
Time to maturity	0.21 year
Risk free rate	0.50%
Volatility	30.87%
Dividend yield	0%

(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 Bond.

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

40. Fair value and fair value hierarchy

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements not measured at fair value on a recurring basis (but fair value disclosures are required) approximate their fair values.

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

The fair values of trade receivables, bills receivable, financial assets included in 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 carrying amounts of the non-current portion of interest-bearing bank borrowings approximate their fair values as the interest rates will adjust periodically based on People's Bank of China's benchmark rates and is close to market interest rate.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

40. Fair value and fair value hierarchy - continued

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:

Financial liabilities	Fair value as at 31 December 2015 RMB'000	Fair value as at 31 December 2014 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	**52,133**	50,072	Level 3	Black-Scholes option pricing model. key inputs include expected life of the option	Expected life of the option	The longer life, the higher the fair value (i)
Obligation arising from a put option to a non-controlling shareholder	**82,549**	87,398	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 life to the valuation model were 1 month shorter while all the other variables were held constant, the carrying amount of the derivative financial instruments would decrease by approximate RMB36,000.

Reconciliation of Level 3 fair value measurements of derivative financial instruments

	31 December 2015 RMB'000
Put Option and Call Option at 1 January 2015	**50,072**
Fair value loss recognised in profit or loss	**2,061**
At 31 December 2015	**52,133**

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 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 2015

41. 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 short-term and long-term borrowings and obligations under finance lease with floating interest rates.

As at 31 December 2015, the Group's interest-bearing bank borrowings, obligations under finance lease and obligation arising from a put option to a non-controlling share holder bear variable interest rates amounted to RMB1,371,391,000 (2014: RMB2,743,646,000).

The interest rates and the terms of repayment of the Group's bank borrowings and obligations under finance lease are disclosed in notes 30 and 34.

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 2015 would be decreased/increased by approximately RMB5,177,000 (2014: decreased/increased by RMB11,136,000).

(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	
	31/12/2015	31/12/2014	**31/12/2015**	31/12/2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**843,748**	703,604	**786,387**	63,121
HKD	**-**	-	**39**	636
CAD	**82,636**	87,603	**31,362**	40,330
EUR	**-**	1,647	**22**	-

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 20% (2014: 18%) 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, HKD, EUR and CAD. The Group was exposed to foreign currency risk arising from the changes in the exchange rates of HKD, USD, EUR and CAD 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 2015

41. 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, EUR and CAD.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against USD, HKD, EUR and CAD respectively. 5% (2014: 5%) are the sensitivity rates used in the current year when reporting foreign currency risk internally to key management personnel and represent management's assessment of the reasonable possible change in foreign exchange rates. A negative number below indicates an increase in profit or equity where the RMB strengthen against USD, HKD, EUR and CAD. For a 5% (2014: 5%) weakening of the RMB against USD, HKD, EUR 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 EUR		Impact of CAD	
	31/12/2015	31/12/2014	**31/12/2015**	31/12/2014	**31/12/2015**	31/12/2014	**31/12/2015**	31/12/2014
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Sensitivity rate	**5%**	5%	**5%**	5%	**5%**	5%	**5%**	5%
Profit or loss	**(2,151)**	(24,345)	**1**	24	**1**	(62)	**(1,923)**	(1,773)
Equity	**(2,151)**	(24,345)	**1**	24	**1**	(62)	**(1,923)**	(1,773)

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 period is generally one month.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures and only long-standing customers are granted with credit terms. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

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 2014, there were no material trade receivables due from the Group's largest customer and the five largest customers; As at 31 December 2015, the trade receivable of China Bluechemical (Hong Kong) Limited from China National Chemical Construction Corporation (which was the largest customer of the Group for the current year) amounted to RMB429,254,000. 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 2015

41. 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 2015, the balance of the Group's interest-bearing bank borrowings is RMB967,280,000.

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:

	2015					
	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	**3,471**	**6,977**	**98,522**	**252,123**	**854,662**	**1,215,755**
Trade payables	**535,983**	**352,332**	**36,200**	**-**	**-**	**924,515**
Bills payable	**14,757**	**27,214**	**65,300**	**-**	**-**	**107,271**
Financial liabilities included in other payables and accruals	**185,637**	**183,286**	**519,183**	**-**	**-**	**888,106**
Obligations under finance leases	**37,392**	**16,614**	**1,297,381**	**-**	**-**	**1,351,387**
Obligation arising from a put option to a non-controlling shareholder	**-**	**82,549**	**-**	**-**	**-**	**82,549**
Other long-term liabilities	**-**	**-**	**-**	**7,190**	**69,728**	**76,918**
	777,240	**668,972**	**2,016,586**	**259,313**	**924,390**	**4,646,501**

	2014					
	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	3,687	8,017	251,330	716,802	1,835,390	2,815,226
Trade payables	-	430,170	-	-	-	430,170
Bills payable	-	27,833	-	-	-	27,833
Financial liabilities included in other payables and accruals	113,800	213,590	528,676	-	-	856,066
Obligations under finance leases	-	65,670	508,882	-	-	574,552
Obligation arising from a put option to a non-controlling shareholder	-	-	87,398	-	-	87,398
Other long-term liabilities	-	-	-	7,192	70,500	77,692
	117,487	745,280	1,376,286	723,994	1,905,890	4,868,937

In addition to the amounts shown in the above table as at 31 December 2015, 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 25 in the next 6 months, amounting to RMB107,968,000 in aggregate.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

41. 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 2015 and 2014.

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

	2015 RMB'000	2014 RMB'000
Interest-bearing debts (note)	2,290,011	2,656,248
Net assets	14,881,574	14,749,286
Net assets and interest-bearing debts	17,171,585	17,405,534
Gearing ratio	13.34%	15.26%

Note: Interest-bearing debts comprises interest-bearing bank borrowings and obligations under finance leases as detailed in notes 30 and 34 respectively.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

42. Particulars of principal subsidiaries of the company

(i) General information of subsidiaries

Details of the Group's subsidiaries at the end of the reporting period are set out below:

Name of subsidiaries	Place and date of incorporation and operation	Registered capital '000		Percentage of equity interest attributable to the Company	Principal activities
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
Basuo Port (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
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

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

42. Particulars of principal subsidiaries of the company - continued

(i) General information of subsidiaries - continued

Details of the Group's subsidiaries at the end of the reporting period are set out below: - continued

Name of subsidiaries	Place and date of incorporation and operation	Registered capital '000		Percentage of equity interest attributable to the Company	Principal activities
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 (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 (廣西富島農業生産資料有限公司)	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
CNOOC Guangxi Fertiliser and Technology Limited* (廣西中海肥業科技有限公司)*	PRC 25 December 2009	RMB2,000	Direct Indirect	- -	Manufacture and sale of fertilisers
CNOOC Huahe Coal Chemical Ltd. (中海石油華鶴煤化有限公司)	PRC 26 May 2006	RMB1,035,600	Direct Indirect	100.00 -	Manufacture and sale of fertilisers
Hainan Basuo Port Labor Service Limited (海南八所港勞動服務有限公司)	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) .	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.

* On December 29, 2015, CNOOC Guangxi Fertiliser and Technology Limited had been liquidated.

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 2015

42. Particulars of principal subsidiaries of the company - continued

(ii) Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of 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	
		31/12/2015	31/12/2014	**31/12/2015**	31/12/2014	**31/12/2015**	31/12/2014
				RMB'000	RMB'000	**RMB'000**	RMB'000
CNOOC Kingboard Chemical Limited	Hainan	**40.00%**	40.00%	**(12,115)**	133,828	**318,808**	467,525
Basuo Port	Hainan	**26.89%**	26.89%	**20,744**	7,956	**212,781**	192,037
CNOOC Tianye	Inner Mongolia	**7.73%**	7.73%	**(9,704)**	(91,352)	**81,209**	90,913
Hubei Dayukou Chemical Co., Ltd.	Hubei	**16.03%**	16.03%	**13,113**	3,957	**217,961**	204,848
China BlueChemical Yichang Mining Ltd	Hubei	**49.00%**	49.00%	**(352)**	(200)	**201,575**	201,927

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 2015

42. Particulars of principal subsidiaries of the company - continued

(ii) Details of non-wholly owned subsidiaries that have material non-controlling interests - continued

CNOOC Kingboard Chemical Limited	2015 RMB'000	2014 RMB'000
Current assets	493,104	726,050
Non-current assets	523,149	593,547
Current liabilities	(202,225)	(131,465)
Non-current liabilities	(17,008)	(19,319)
Equity attributable to owners of the Company	478,212	701,288
Non-controlling interests	318,808	467,525

	2015 RMB'000	2014 RMB'000
Revenue	1,084,892	1,339,910
Expenses	(1,115,181)	(1,005,339)
(Loss) profit for the year	(30,289)	334,571
(Loss) profit attributable to owners of the Company	(18,174)	200,743
(Loss) profit attributable to the non-controlling interests	(12,115)	133,828
(Loss) profit for the year	(30,289)	334,571
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 (expense) income attributable to owners of the Company	(18,174)	200,743
Total comprehensive (expense) income attributable to the non-controlling interests	(12,115)	133,828
Total comprehensive (expense) income for the year	(30,289)	334,571
Dividends paid to non-controlling interests	136,602	187,172
Net cash inflow from operating activities	111,940	305,131
Net cash (outflow) inflow from investing activities	(228,687)	20,670
Net cash outflow from financing activities	(341,504)	(467,931)
Net cash outflow	(458,251)	(142,130)

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

42. Particulars of principal subsidiaries of the company - continued

(ii) Details of non-wholly owned subsidiaries that have material non-controlling interests - continued

Hainan Basuo Port Limited	2015 RMB'000	2014 RMB'000
Current assets	116,831	118,581
Non-current assets	1,048,073	1,084,240
Current liabilities	(260,776)	(385,270)
Non-current liabilities	(112,825)	(103,395)
Equity attributable to owners of the Company	578,522	522,119
Non-controlling interests	212,781	192,037

	2015 RMB'000	2014 RMB'000
Revenue	359,492	273,822
Expenses	(282,345)	(244,233)
Profit for the year	77,147	29,589
Profit attributable to owners of the Company	56,403	21,633
Profit attributable to the non-controlling interests	20,744	7,956
Profit for the year	77,147	29,589
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	56,403	21,633
Total comprehensive income attributable to the non-controlling interests	20,744	7,956
Total comprehensive income for the year	77,147	29,589
Dividends paid to non-controlling interests	-	-
Net cash inflow from operating activities	151,342	76,761
Net cash outflow from investing activities	(21,866)	(3,552)
Net cash outflow from financing activities	(104,602)	(74,384)
Net cash inflow (outflow)	24,874	(1,175)

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

42. Particulars of principal subsidiaries of the company - continued

(ii) Details of non-wholly owned subsidiaries that have material non-controlling interests - continued

CNOOC Tianye	2015 RMB'000	2014 RMB'000
Current assets	219,451	250,207
Non-current assets	1,485,059	1,605,844
Current liabilities	(624,166)	(654,042)
Non-current liabilities	(29,781)	(25,898)
Equity attributable to owners of the Company	969,354	1,085,198
Non-controlling interests	81,209	90,913

	2015 RMB'000	2014 RMB'000
Revenue	1,173,424	1,317,558
Expenses	(1,298,971)	(2,499,341)
Loss for the year	(125,547)	(1,181,783)
Loss attributable to owners of the Company	(115,843)	(1,090,431)
Loss attributable to the non-controlling interests	(9,704)	(91,352)
Loss for the year	(125,547)	(1,181,783)
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	(115,843)	(1,090,431)
Total comprehensive expenses attributable to the non-controlling interests	(9,704)	(91,352)
Total comprehensive expenses for the year	(125,547)	(1,181,783)
Dividends paid to non-controlling interests	-	-
Net cash inflow from operating activities	34,722	59,143
Net cash outflow from investing activities	(33,986)	(57,251)
Net cash outflow from financing activities	(8,127)	(4,613)
Net cash outflow	(7,391)	(2,721)

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

42. Particulars of principal subsidiaries of the company - continued

(ii) Details of non-wholly owned subsidiaries that have material non-controlling interests - continued

Hubei Dayukou Chemical Co., Ltd.	2015 RMB'000	2014 RMB'000
Current assets	847,044	768,734
Non-current assets	2,317,368	2,318,803
Current liabilities	(1,769,391)	(1,782,041)
Non-current liabilities	(35,313)	(27,593)
Equity attributable to owners of the Company	1,141,747	1,073,055
Non-controlling interests	217,961	204,848

	2015 RMB'000	2014 RMB'000
Revenue	2,480,344	2,647,903
Expenses	(2,398,540)	(2,623,217)
Profit for the year	81,804	24,686
Profit attributable to owners of the Company	68,691	20,729
Profit attributable to the non-controlling interests	13,113	3,957
Profit for the year	81,804	24,686
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	68,691	20,729
Total comprehensive income attributable to the non-controlling interests	13,113	3,957
Total comprehensive income for the year	81,804	24,686
Dividends paid to non-controlling interests	-	-
Net cash (outflow) inflow from operating activities	(48,644)	260,933
Net cash outflow from investing activities	(63,962)	(126,719)
Net cash inflow (outflow) from financing activities	110,330	(135,720)
Net cash outflow	(2,276)	(1,506)

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

42. Particulars of principal subsidiaries of the company - continued

(ii) Details of non-wholly owned subsidiaries that have material non-controlling interests - continued

China BlueChemical Yichang Mining Ltd.	2015 RMB'000	2014 RMB'000
Current assets	27,700	32,326
Non-current assets	385,029	381,907
Current liabilities	(1,351)	(2,137)
Non-current liabilities	-	-
Equity attributable to owners of the Company	209,803	210,169
Non-controlling interests	201,575	201,927

	2015 RMB'000	2014 RMB'000
Revenue	-	-
Expenses	(718)	(408)
Loss for the year	(718)	(408)
Loss attributable to owners of the Company	(366)	(208)
Loss attributable to the non-controlling interests	(352)	(200)
Loss for the year	(718)	(408)
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	(366)	(208)
Total comprehensive expenses attributable to the non-controlling interests	(352)	(200)
Total comprehensive expenses for the year	(718)	(408)
Dividends paid to non-controlling interests	-	-
Net cash outflow from operating activities	(2,546)	(2,408)
Net cash inflow (outflow) from investing activities	1,843	(18,550)
Net cash inflow from financing activities	-	-
Net cash outflow	(703)	(20,958)

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

43. Statement of financial position and reserves of the company

	2015 RMB'000	2014 RMB'000
Assets		
Non-current assets		
Property, plant and equipment	**1,576,813**	1,819,690
Investment properties	**11,767**	12,633
Prepaid lease payments	**54,277**	56,001
Intangible assets	**2,302**	3,898
Investments in subsidiaries	**5,742,565**	5,825,318
Investments in joint ventures	**215,167**	213,058
Investment in an associate	**166,859**	166,859
Deferred tax assets	**197,787**	174,075
	7,967,537	8,271,532
Current assets		
Inventories	**248,290**	291,515
Trade receivables	**71,316**	80,878
Bills receivable	**-**	10,288
Prepayments, deposits and other receivables	**146,658**	105,260
Loans receivable	**1,106,404**	632,600
Cash and cash equivalents	**2,197,855**	2,362,155
	3,770,523	3,482,696
Total assets	**11,738,060**	11,754,228
Equity and liabilities		
Equity		
Paid-up capital	**4,610,000**	4,610,000
Reserves	**6,315,077**	6,112,319
Proposed dividends	**368,800**	553,200
Total equity	**11,293,877**	11,275,519
Non-current liabilities		
Deferred revenue	**2,768**	14,456
Other long-term liabilities	**14,964**	16,200
	17,732	30,656
Current liabilities		
Bills payable	**5,478**	-
Trade payables	**141,224**	108,259
Other payables and accruals	**172,470**	280,309
Derivative financial instruments	**52,133**	50,072
Income tax payable	**55,146**	9,413
	426,451	448,053
Total liabilities	**444,183**	478,709
Total equity and liabilities	**11,738,060**	11,754,228

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

43. Statement of financial position and reserves of the company- continued

Movement in the Company's reserves

The Company's movement in reserves and proposed dividends for the years ended 31 December 2015 and 2014 are as follows:

	Note	Issued capital	Capital reserve	Statutory surplus reserve	Special reserve	Retained profits	Proposed dividend	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2015		4,610,000	1,366,392*	940,287*	-	3,805,640*	553,200	11,275,519
Profit for the year		-	-	-	-	571,558	-	571,558
Total comprehensive income for the year		4,610,000	1,366,392	940,287	-	4,377,198	553,200	11,847,077
Appropriation and utilisation of safety fund, net		-	-	-	-	-	-	-
Transfer from retained profits		-	-	54,820	-	(54,820)	-	-
Proposed 2015 final dividend		-	-	-	-	(368,800)	368,800	-
Final 2014 dividend declared	13	-	-	-	-	-	(553,200)	(553,200)
As at 31 December 2015		4,610,000	1,366,392*	995,107 *	-	3,953,578*	368,800	11,293,877

	Note	Issued capital	Capital reserve	Statutory surplus reserve	Special reserve	Retained profits	Proposed dividend	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2014		4,610,000	1,366,392*	878,806*	609*	3,784,878*	645,400	11,286,085
Profit for the year		-	-	-	-	634,834	-	634,834
Total comprehensive income for the year		4,610,000	1,366,392	878,806	609	4,419,712	645,400	11,920,919
Appropriation and utilisation of safety fund, net		-	-	-	(609)	609	-	-
Transfer from retained profits		-	-	61,481	-	(61,481)	-	-
Proposed 2014 final dividend		-	-	-	-	(553,200)	553,200	-
Final 2013 dividend declared	13	-	-	-	-	-	(645,400)	(645,400)
As at 31 December 2014		4,610,000	1,366,392*	940,287*	-	3,805,640*	553,200	11,275,519

* These reserve accounts comprise the Company's reserves of RMB6,315,077,000 (2014: RMB6,112,319,000) in the Company's statement of financial position.

Notes to the Consolidated Financial Statements - continued

For the year ended 31 December 2015

44. Events after the reporting year

Subsequent to 31 December 2015, the Call Option and Put Option as detailed in note 39 expired on 15 March 2016 unexercised, resulting in a gain of approximately RMB54 million. The obligation of the Group to repurchase the 40% equity interest in CBC (Canada) expired and the liability arising from this arrangement is reclassified to non-controlling interest and other component within equity, as appropriate.

45. Approval of the financial statements

The financial statements were approved and authorised for issue by the board of directors on 30 March 2016.

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	Wang Hui Quan Changsheng
Alternate to authorized representatives	Pan Ting
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
Investor Relations/Public Relations	
Hong Kong	Tel: (852) 22132502 Fax: (852) 25259322
Beijing	Tel: (86) 010 84527249 Fax: (86) 010 84527254
Webiste	www.chinabluechem.com.cn
Stock Code	Hong Kong Stock Exchange: 3983