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(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock code: 03983)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015**

FINANCIAL HIGHLIGHTS

1. Revenue amounted to RMB10,671.8 million
2. Gross profit amounted to RMB1,745.9 million
3. Net profit attributable to owners of the parent amounted to RMB829.7 million
4. Basic earnings per share was RMB0.18
5. Proposed final dividend of RMB0.08 per share for the year

(I) AUDITED FINANCIAL STATEMENTS**CONSOLIDATED STATEMENT OF PROFIT OR LOSS***For the year ended 31 December 2015*

	<i>Notes</i>	2015 RMB'000	2014 <i>RMB'000</i>
Revenue	4	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	4	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		9,778	8,305
Finance costs	5	(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	6	—	(1,260,395)
Profit before tax	7	1,131,091	113,210
Income tax	8	(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 (<i>RMB</i>)	9	0.18	0.02

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

For the year ended 31 December 2015

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Profit for the year	<u>843,041</u>	<u>97,053</u>
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	<u>(274,607)</u>	<u>(163,226)</u>
Exchange differences arising on translation	<u>(20,927)</u>	<u>(16,345)</u>
Other comprehensive expense for the year, net of tax	<u>(20,927)</u>	<u>(16,345)</u>
Total comprehensive income for the year	<u>822,114</u>	<u>80,708</u>
Total comprehensive income for the year attributable to:		
Owners of the parent	808,730	88,948
Non-controlling interests	<u>13,384</u>	<u>(8,240)</u>
	<u>822,114</u>	<u>80,708</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*At 31 December 2015*

	<i>Notes</i>	2015 RMB'000	2014 <i>RMB'000</i>
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		9,783,087	9,908,502
Prepayments for property, plant and equipment		—	65,192
Mining and exploration rights		471,928	474,410
Prepaid lease payments		619,087	569,533
Intangible assets		32,464	16,236
Investments in joint ventures		212,449	213,058
Investments in associates		255,975	337,798
Available-for-sale investment		600	600
Deferred tax assets		677,575	688,418
Other long-term prepayment		12,000	12,000
		12,065,165	12,285,747
CURRENT ASSETS			
Inventories		1,406,243	1,227,525
Trade receivables	10	659,092	141,493
Bills receivable		124,820	66,271
Prepayments, deposits and other receivables		608,196	686,635
Pledged bank deposits		4,059	5,709
Time deposits with original maturity over three months		30,429	—
Cash and cash equivalents		5,313,907	5,525,928
		8,146,746	7,653,561
TOTAL ASSETS		20,211,911	19,939,308

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2015

	<i>Notes</i>	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Issued capital		4,610,000	4,610,000
Reserves		8,876,281	8,436,351
Proposed dividends	11	368,800	553,200
		<u>13,855,081</u>	<u>13,599,551</u>
Non-controlling interests		<u>1,026,493</u>	<u>1,149,735</u>
TOTAL EQUITY		<u>14,881,574</u>	<u>14,749,286</u>
NON-CURRENT LIABILITIES			
Benefits liability		41,276	25,898
Interest-bearing bank borrowings		900,000	1,951,000
Deferred tax liabilities		54,937	58,866
Deferred revenue		137,669	144,077
Other long-term liabilities		114,922	116,559
		<u>1,248,804</u>	<u>2,296,400</u>
CURRENT LIABILITIES			
Interest-bearing bank borrowings		67,280	139,256
Trade payables	12	924,515	430,170
Bills payable	12	107,271	27,833
Other payables and accruals		1,422,599	1,569,405
Obligations under finance lease		1,322,731	565,992
Obligation arising from a put option to a non-controlling shareholder		82,549	87,398
Derivative financial instruments		52,133	50,072
Income tax payable		102,455	23,496
		<u>4,081,533</u>	<u>2,893,622</u>
TOTAL LIABILITIES		<u>5,330,337</u>	<u>5,190,022</u>
TOTAL EQUITY AND LIABILITIES		<u>20,211,911</u>	<u>19,939,308</u>
NET CURRENT ASSETS		<u>4,065,213</u>	<u>4,759,939</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>16,130,378</u>	<u>17,045,686</u>
NET ASSETS		<u>14,881,574</u>	<u>14,749,286</u>

(II) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

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

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

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

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.

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 amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. 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.

- 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 a 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, 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.

3. OPERATING SEGMENT INFORMATION

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

- (a) the urea segment is engaged in the manufacture and sale of urea;
- (b) the phosphorus and compound fertiliser segment is engaged in the manufacture and sale of 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") fertilisers and woven plastic bags.

The accounting policies of the operating segments are the same as the Group's accounting policies. 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.

Operating segments

	Urea	Phosphorus and compound fertiliser	Methanol	Others	Elimination	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>3,401,292</u>	<u>2,484,951</u>	<u>2,644,450</u>	<u>2,336,396</u>	<u>(195,248)</u>	<u>10,671,841</u>
Segment profit before tax	<u>799,051</u>	<u>188,614</u>	<u>48,471</u>	<u>79,422</u>	<u>—</u>	<u>1,115,558</u>
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						<u>1,131,091</u>
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						<u>20,211,911</u>
Total segment liabilities	3,048,234	990,552	551,041	666,802	(131,466)	5,125,163
Unallocated						205,174
Total liabilities						<u>5,330,337</u>
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 *	<u>603,575</u>	<u>26,842</u>	<u>4,353</u>	<u>14,508</u>	<u>—</u>	<u>649,278</u>

	Urea <i>RMB'000</i>	Phosphorus and compound fertiliser <i>RMB'000</i>	Methanol <i>RMB'000</i>	Others <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <i>RMB'000</i>
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	<u>3,390,203</u>	<u>2,636,490</u>	<u>3,284,176</u>	<u>1,761,837</u>	<u>(275,820)</u>	<u>10,796,886</u>
Segment profit before tax	<u>780,492</u>	<u>82,759</u>	<u>993,169</u>	<u>(1,227,722)</u>	<u>—</u>	<u>628,698</u>
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						<u>113,210</u>
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						<u>19,939,308</u>
Total segment liabilities	2,597,867	1,310,965	485,548	637,280	(100,297)	4,931,363
Unallocated						258,659
Total liabilities						<u>5,190,022</u>
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*	<u>828,738</u>	<u>113,152</u>	<u>2,399</u>	<u>23,056</u>	<u>—</u>	<u>967,345</u>

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

- 1 Inter-segment revenues are eliminated on consolidation.
- 2 Profit for each operating segment does not include interest and unallocated income, corporate and other unallocated expenses, exchange gains(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
	<u>10,671,841</u>	<u>10,796,886</u>

(b) Non-current assets

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

Information about major customer

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

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the invoiced values of goods sold, net of value added tax, 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
	<u>10,671,841</u>	<u>10,796,886</u>
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
	<u>399,864</u>	<u>211,853</u>

5. FINANCE COSTS

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
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)
	<u>91,457</u>	<u>9,456</u>

6. 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 31 December 2014, 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%.

7. PROFIT BEFORE TAX

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

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Cost of inventories sold	8,640,642	7,805,792
Cost of services provided	254,152	298,264
Depreciation	866,991	827,567
Amortisation of mining rights	2,482	2,387
Amortisation of prepaid lease payments	15,500	15,854
Amortisation of intangible assets included in administrative expense	5,288	10,008
Auditors' remuneration	4,300	3,900
Employee benefit expense (including directors' and supervisors' remuneration):		
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
	<u>754,923</u>	<u>853,119</u>
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	<u>31,100</u>	<u>7,220</u>

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

8. INCOME TAX

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

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

(a) Enterprise income tax (“EIT”)

Under the 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	2014
	<i>RMB’000</i>	<i>RMB’000</i>
Profit before tax	<u>1,131,091</u>	<u>113,210</u>
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	<u>4,897</u>	<u>14,664</u>
Income tax	<u>288,050</u>	<u>16,157</u>
The Group’s effective income tax rate	<u>25%</u>	<u>14%</u>

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Earnings		
Profit for the year attributable to owners of the parent	<u>829,657</u>	<u>105,293</u>
	Number of shares	
	2015 <i>'000</i>	2014 <i>'000</i>
Shares		
Number of shares in issue during the year	<u>4,610,000</u>	<u>4,610,000</u>

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

10. 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 <i>RMB'000</i>	2014 <i>RMB'000</i>
Trade receivables	659,099	141,500
Less: allowance for doubtful debts	<u>(7)</u>	<u>(7)</u>
	<u>659,092</u>	<u>141,493</u>

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 <i>RMB'000</i>	2014 <i>RMB'000</i>
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	<u>914</u>	<u>924</u>
	<u>659,092</u>	<u>141,493</u>

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.

11. PROPOSED DIVIDENDS

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Proposed final dividends — RMB0.08 (2014: RMB0.12) per ordinary share	<u>368,800</u>	<u>553,200</u>

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%.

12. 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 <i>RMB'000</i>	2014 <i>RMB'000</i>
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
	<u>1,031,786</u>	<u>458,003</u>

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).

(III) MANAGEMENT DISCUSSION AND ANALYSIS

1. 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 tonne. 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.

(I) 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.

(II) 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.

2. 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	
	<i>Production</i> <i>(tonnes)</i>	<i>Utilisation</i> <i>rate (%)</i>	<i>Production</i> <i>(tonnes)</i>	<i>Utilisation</i> <i>rate (%)</i>
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 (<i>Note 1</i>)	241,372	92.8	0	0
Group total	<u>2,223,868</u>	<u>105.9</u>	<u>1,972,450</u>	<u>107.2</u>
Phosphate Fertilisers and Compound Fertilisers				
DYK MAP	60,825	40.6	43,039	28.7
DYK DAP Phase I (<i>Note 2</i>)	320,821	91.7	301,558	86.2
DYK DAP Phase II	602,851	120.6	568,408	113.7
Group total	<u>984,497</u>	<u>98.4</u>	<u>913,005</u>	<u>91.3</u>
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	<u>1,560,848</u>	<u>97.6</u>	<u>1,550,160</u>	<u>96.9</u>

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 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	<i>Volume (tonnes)</i>	<i>Percentage (%)</i>	<i>Volume (tonnes)</i>	<i>Percentage (%)</i>
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	<u>2,083,067</u>	<u>100.0</u>	<u>1,955,571</u>	<u>100.0</u>

Phosphate Fertilisers and Compound Fertilisers

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

Sales region	For the year ended 31 December			
	2015		2014	
	<i>Volume (tonnes)</i>	<i>Percentage (%)</i>	<i>Volume (tonnes)</i>	<i>Percentage (%)</i>
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:

Sales region	For the year ended 31 December			
	2015		2014	
	<i>Volume (tonnes)</i>	<i>Percentage (%)</i>	<i>Volume (tonnes)</i>	<i>Percentage (%)</i>
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	0	0	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 throughput of 13.69 million tonnes.

3. 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 RMB 2,040.3 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 RMB 85.9 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 RMB 9.5 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 losses of associates and joint ventures

During the reporting period, the share of losses of associates and joint ventures was RMB68.7 million, an 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 non-controlling 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.

4. 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.

5. 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.

(IV) SUPPLEMENTAL INFORMATION

Audit Committee

The Audit Committee has reviewed, with the management, the accounting principles and standards adopted by the Group, and discussed the internal control and financial reporting matters. The annual results for the year ended 31 December 2015 have been audited by Deloitte Touche Tohmatsu Certified Public Accountants in accordance with Auditing Standard 700 (Engagement for the auditing of financial statements) issued by Hong Kong Institute of Certified Public Accountants. The Audit Committee has reviewed the financial report for the year ended 31 December 2015.

Compliance With Corporate Governance Code

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

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

The Board confirms that, having made specific enquiries with all directors and supervisors, during the reporting period ended 31 December 2015, all members of the Board and all supervisors have complied with the required standards as set out in the Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 of the Listing Rules.

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

The register of members of the Company will be closed from 2 May 2016 to 31 May 2016 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for attendance at the annual general meeting (the “**AGM**”), all instruments of transfer, accompanied by the relevant H share certificates, must be lodged with the Hong Kong share registrar for H Shares, Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 29 April 2016.

Proposed Final Dividend and Closure of the Register of Members

The Board has recommended the payment of a final dividend of RMB0.08 (tax included) per share for the year ended 31 December 2015 to shareholders of the Company whose names appear on the register of members of the Company on the proposed record date, 8 June 2016. The proposed final dividend for 2015 will be subject to the approval of shareholders of the Company at the 2015 annual general meeting. For the holders of domestic shares, dividends will be paid in RMB. For the holders of H Shares, dividends will be paid in Hong Kong dollars. The final dividends are expected to be paid to the shareholders of the Company on or around 30 June 2016.

The register of members of the Company will be closed from 4 June 2016 to 8 June 2016 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for the proposed final dividend, all instruments of transfer, accompanied by the relevant H share certificates, must be lodged with the Hong Kong share registrar for H Shares, Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 3 June 2016.

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

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

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

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

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

During 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

Disclosure on the Website of the Stock Exchange

This results announcement is published on the HKExnews website (<http://www.hkexnews.hk>) and on the Company's website (<http://www.chinabluechem.com.cn/>). The 2015 Annual Report will be available on the HKExnews and the Company's websites in due course.

By Order of the Board
China BlueChemical Ltd.*
Li Hui
Chairman

Hong Kong, the People's Republic of China, 30 March 2016

As at the date of this announcement, the executive Director is Mr. Wang Hui, the non-executive Directors are Mr. Li Hui, Mr. Zhou Dechun and Mr. Zhu Lei and the independent non-executive Directors are Ms. Lee Kit Ying, Mr. Lee Kwan Hung and Mr. Zhou Hongjun.

* For identification purpose only.