



中国石油财务(香港)有限公司
CNPC Finance (HK) Limited

Table with multiple columns and rows, containing financial data and text. The table is oriented vertically in the image. The text is very small and difficult to read, but it appears to be a detailed financial statement or report. The columns likely represent different financial metrics or categories, and the rows represent individual data points or line items. The table is rotated 90 degrees clockwise in the image.



CONTENTS

- 5 Company Profile
- 8 Chairman's Statement
- 11 Business Review
- 14 Board of Directors and Senior Executives
- 19 Organisational Structure
- 20 Corporate Governance, Internal Control and Risk Management
- 27 Financial Position and Operating Summary for 2015
- 37 Directors' Report
- 39 Independent Auditor's Report for the Year Ended 31 December 2015
- 88 Contact Information

**FOR THE
GROUP
OF THE
GROUP**



The background of the page is a photograph of an offshore oil platform, likely the CPFHK, situated in the middle of the ocean. The platform is a complex of steel structures, including multiple levels, ladders, and pipes. A large crane arm is visible on the right side of the platform. The water is dark and choppy, and the sky is a pale, hazy blue. The entire image is overlaid with a semi-transparent orange-red color, and a rounded rectangular border of the same color frames the text.

INFORMATION ABOUT CPFHK



COMPANY PROFILE

Incorporated in March 2008 in Hong Kong as a wholly owned subsidiary under the auspices of China Petroleum Finance Co., Ltd. (“CPF”), CNPC Finance (HK) Limited (“CPFHK” or the “Company”) is the first and only offshore subsidiary of a PRC finance company approved by the China Banking Regulatory Commission (“CBRC”). As the sole offshore treasury centre of China National Petroleum Corporation (“CNPC” or the “Group”), the Company is positioned to integrate the Group’s offshore fund management and provide comprehensive financial services for its overseas operations to facilitate the “going global” development policy of CNPC.

As the Company’s parent company, CPF is a non-bank financial institution established in December 1995, incorporated with the approval of the People’s Bank of China, which serves as the in-house banking and sole treasury centre of CNPC. CPF is currently the largest finance company in the PRC in terms of size and strength, ranking first by asset, revenue and profit among over 224 finance companies nationwide. As a fully-integrated, strategic component of CNPC that provides the platform on which a centralised treasury management system for the Group is being developed, CPF enjoys strong backing from CNPC.

As an integral component of CPF, the Company is committed to fully capitalising its functions as an offshore settlement, fund raising/financing and treasury management platform for CNPC in the active pursuit of the Group’s strategy of internationalisation and loyal fulfillment of our objective of “of the Group, for the Group”. CPFHK is engaged in the centralised management of global transfers of funds, treasury settlement, provision of financing for offshore oil and gas projects and centralised FX risk management for member companies of the Group. The Company is fully committed towards enhancing the efficiency and effectiveness of CNPC’s treasury functions by providing all-round financial services and support for the Group’s overseas operations.

The Company has explored a wide range of financing channels involving bank credit, overseas USD bonds, overseas RMB bonds, Euro medium term notes, US and Euro commercial papers, so as to maintain a steady long-term capital supply.

As at the end of 2015, CPFHK had total proprietary asset of US\$26.53 billion, a decrease of US\$1,185 million, or 4.28%, from the beginning of the year. Average proprietary asset reached US\$27.58 billion, an increase of US\$1,269 million, or 4.83%. Annual operating income of the year was US\$824 million, a year-on-year increase of US\$129 million, or 18.51%. Pre-tax profit was US\$453 million, a year-on-year increase of US\$79 million, or 21.17%. Its assets, income and profit before impairment allowance accounted for 44%, 32% and 31%, respectively, of CPF’s total proprietary assets, income and profit.





Under the leadership of the Board of Directors (the “Board”), the general manager is responsible for the management of the five departments of CPFHK, comprising Finance, Operations, Credit, Financial Markets and General Administration. In order to provide all-round financial services to facilitate CNPC’s overseas development strategy, the Company has further extended its service platform by establishing two wholly-owned subsidiaries, CPF (Dubai) Limited in 2009 in Dubai and CNPC Treasury (Singapore) Pte. Ltd. in 2011 in Singapore, respectively.

The long-term and short-term credit ratings of the Company assigned by Moody’s and Standard & Poor’s are A1/P1 and A+/A1, respectively.

THE COMPANY IS PRINCIPALLY ENGAGED IN THE FOLLOWING FINANCIAL BUSINESSES:

Providing global cash management services to member companies and conducting centralised management of CNPC’s offshore funds; taking deposits from, handling settlements amongst and designing clearance solutions for member companies; engaging in bank borrowings and issuing bonds and short-term papers; providing loans, project financing and other credit services to member companies; designing and implementing FX hedging solutions for member companies; investing in securities; providing guaranty services to, and handling entrusted loan and investment services amongst member companies.

CORPORATE DEVELOPMENT MILESTONES

2015

Establishing USD2 billion Euro Commercial Paper program

2014

Issuance of USD1.5 billion bonds
 Establishing USD6 billion Commercial Paper program
 Issuance of USD1.5 billion Euro Medium Term Note
 Issuance of USD4.2 billion Commercial Paper

2013

Establishing USD7 billion Euro Medium Term Note program
 Issuance of USD2 billion bonds
 Establishing USD4 billion Commercial Paper program
 Issuance of USD3.5 billion Commercial Paper

2012

Commercial Paper debut with program size of USD2 billion
 Issuance of USD1.15 billion bonds

2011

Offshore corporate bond debut with successful issuances of USD1.85 billion bonds and RMB3 billion bonds, both of which were assigned respectable credit rating
 Incorporation of CNPC Treasury (Singapore) Pte Ltd, CPFHK's Singapore Subsidiary

2010

Commencement of USD/CNH trading

2009

Incorporation of CPF (Dubai) Limited, CPFHK's Dubai Subsidiary

2008

Incorporation of CPFHK

CHAIRMAN'S STATEMENT

In 2015, The Company persistently adheres to CNPC's strategic efforts to establish itself as an integrated international energy company of a global standard. In active response to sustained depression of international oil prices, a tumultuous capital market, and declined efficiency and cash flow of the member companies of the CNPC Group, CPFHK insisted on the pursuit for steady and sound development, stringently controlled its risks and improved its services. It effectively supported the member companies of the Group in achieving the annual goal of steady growth. Operating profits reached a record-breaking level. Our levels of operation, management and service were on the rise, with the work goals laid down by the Board fully fulfilled for the year.



LIU YUEZHEN
CHAIRMAN



As the end of December 2015, total assets amounted to US\$28.34 billion, remaining largely stable as compared to last year. Profit for the year was US\$453 million, an increase of 21.17% and representing 110.5% of the target set by the Board. Having brought the Twelfth Five-Year Plan to full circle, CPFHK's total asset was 2.13 times of that of the end of the Eleventh Five Year Plan, representing an average growth rate of 16.37%; annual average profit was US\$288 million, an annual increase rate of 39.01%. Our contribution toward the parent company continues to be on the rise, with our total asset, proprietary asset and profit before allowance taking up 29%, 44% and 31%, respectively, of those of the parent company, as compared to 19%, 24% and 12% as at the end of the Eleventh Five-Year Plan. During the period of the Twelfth Five-Year Plan, CPFHK took advantage of the important strategic opportunity of the foreign developments undertaken by CNPC. Abiding by the target of establishing an internationalized financial service platform of the highest calibre, CPFHK ceaselessly expanded the coverage of its centralised management of foreign fund and finished building up its diversified foreign financing channels, while also fully participating in the fundraising and financing of CNPC's foreign projects. This leads to the continued enhancement of the foreign currency risk management platform of CNPC and sustained rise of our professional advantage and market efficiency. In 2015, CPFHK was awarded the "Taozhu Gong Award – Best Financial Company" by Euro Finance in appreciation of its vital role played for constructing a comprehensive, efficient foreign treasury platform for CNPC.

The past year was challenging and trying for CNPC, seeing sustained depression of international oil prices and deceleration of growth of domestic demands for oil and gas, which made fulfilling the group's target of maintaining steady growth even more difficult. Under immense pressure, the new management team of CNPC made timely adjustments to rebuild a favourable image and crucial decisions for promoting steady development in response to the "new normal" of economic development. Principal operations were highlighted. Risks and challenges were duly responded to. Our efforts to open up new income sources, reduce cost and expenditure and improve efficiency were strengthened. The result was that oil and gas businesses were in smooth operation and new achievements were reached in each aspect of our work. Following the development of the Twelfth Five-Year Plan, CNPC underwent significant improvement in terms of its comprehensive strength and international competitiveness. In the lists of the top 500 and top 50 major oil companies of the world, CNPC came to the 4th and the 3rd, from the 10th and the 5th in 2010. Among its comparable international companies, its production of oil and natural gas rose to the 1st and the 2nd, its volume of oil processed to the 3rd. Asset value exceeded US\$4,000 billion, representing

1.5 times of the amount as at the end of the Eleventh Five-Year Plan. Value of foreign oil and gas operations and attributable interest in these operations grew by 59% and 62%, respectively, from the end of the Eleventh Five-Year Plan. As compared to the end of the Eleventh Five-Year Plan, annual average operating revenue increased by 106%, total profit remained stable, and tax paid increased by 1.7 times, a sign of our significant contribution to the national economic and social development.

In healthy, rapid development, CNPC forcefully encouraged the sound development of CPFHK and its parent company, CPF. As the treasury centre and internal bank for CNPC, CPF faithfully performed the functions of settlement, fundraising and financing, and fund management platform, providing powerful financial services for CNPC's growth into a comprehensive, international energy company. As at the end of 2015, the asset of CPF reached RMB640.1 billion, and its profit was RMB6,855 million, maintaining its position as the largest intra-group financial company in terms of scale and comprehensive strength in the PRC and ranking the first in terms of asset, revenue and profit for 13 successive years.

The first year of the Thirteenth Five-Year Plan, 2016 sees CNPC in active adaptation to low oil prices and the new trends in economic development. Adhering to the pursuit for sound development, the implementation of our strategies targeting innovation, resources, market and internationalisation will be vigorously carried out. Principal businesses in oil and gas are emphasised, as we focus on solidifying growth, adjusting structure, complementing shortcoming segments, improving efficiency and preventing risks. CPFHK will continue to play by the development strategy of CNPC for international development, putting efforts in the solid promotion of our functions as the foreign treasury and raising our operation efficiency, financial service capabilities and risk control. Through these, we will make new contribution to CNPC in its effort to become a first-class comprehensive international energy company in the world.

Last but not least, I express my gratitude towards the general society, the member companies and all our staff for their trustful cooperation, powerful support and diligence.



BUSINESS REVIEW



Under the solid support of CNPC and each of our member companies and the strong leadership of our parent company, the Company made constructive contribution towards CNPC's strategic efforts to establish itself as an integrated international energy company of a global standard in 2015. In active response to the adverse trends such as declining efficiency and cash flow of CNPC and reduced foreign demands for loans, we explore in depth the means to open up new income sources and minimise expenses, reducing cost while enhancing efficiency. Risk management and cash management were reinforced. Potential in domestic and foreign markets was explored with best efforts. The result was that our operating results achieved an unprecedentedly high level while our operation management and service standard continued to improve, supporting the development of overseas businesses of CNPC.

I. SUSTAINED GREATER GROWTH IN OPERATING RESULTS

As at the end of 2015, the total asset of CPFHK was US\$28.34 billion, remaining stable as compared to last year. The total proprietary assets reached US\$26.53 billion, a decrease by US\$1.185 billion, or 4.28% from the beginning of the year. The average proprietary assets reached US\$27.58 billion, an increase by US\$1.269 billion, or 4.83% from those of last year. Annual operating income of the year was US\$824 million, a year-on-year increase of US\$129 million, or 18.51%. Pre-tax profit was US\$453 million, a year-on-year increase of US\$79 million, or 21.17%.

II. QUALITY AND EFFICIENCY OF MAIN BUSINESSES IN CONTINUED GOOD DEVELOPMENT

(I) Loan and Credit

Against the backdrop of prolonged trough in international oil prices in 2015 and the “new normal” trend of decelerating growth in domestic economy, CNPC continued to reduce capital expenditure and shed off its indebtedness in order to cut its interest expenses. International businesses significantly slowed down after several years of high-speed development, followed by a material decrease in the corporate demands for loan. In the whole year, 9 projects of loan contracts were signed. Aggregate advanced loans of various classes for the year amounted to US\$8.651 billion. Balance at the end of the year was US\$17.94 billion, a decrease by US\$4.06 billion or 18.44% from that of last year.

(II) Settlement and Cash Management

As the qualifications for cross-border bi-directional Renminbi and foreign currency cash pooling businesses were approved for our member companies at different times of the year 2015 by the People’s Bank of China and the State Administration of Foreign Exchange, the centralised cash management function of CNPC is further refined and improved through CPF and its Hong Kong subsidiary. Domestic and foreign funds can now flow in bi-directional ways as our capacity of cross-border financial services was improved. Annual aggregate deposit for our member companies was US\$7.524 billion, a year-on-year increase of 11.59%. Volume of settlement was 47,063, a year-on-year increase by 9%, whereas the amount involved in the settlements was US\$170.541 billion, a year-on-year decrease by 22%.

(III) Funding and Financing

As the offshore financing platform of CNPC, we actively raised funds for its foreign businesses. A total of US\$19.155 billion of credit lines was signed with 35 banks; an aggregate of US Commercial Paper of US\$6.41 billion was issued. Financing channels were further widened by establishing the new US\$2 billion Euro Commercial Paper credit line. Our ability to raise fund and provide financing was on the rise.

(IV) Foreign Exchange and Derivatives Transactions

As the sole offshore foreign exchange trading platform of CNPC, CPFHK made full use of its professional strength to provide FX transaction, exchange rate hedging, and interest rate hedging services for the members of the Group. We also hedge our risks exposures for exchange rate and interest rate, enhancing our balance sheet management ability. Annual amount of foreign currency transactions of various types was US\$15.839 billion, remaining relatively stable as compared to last year. Volume of spot transactions was US\$6.542 billion, forward transactions US\$1.781 billion, currency swaps US\$6.487 billion, and cross currency swaps US\$1.029 billion.

(V) Securities Investments

Mainly focused on investments with fixed income, the Company’s securities investments adhered to the principle of prudence, seeing a stable increase in investment gains. Investment balance as at the end of the year was US\$797 million, with an annual income from investments of US\$31.85 million.

(VI) Establishment of Subsidiaries

As the extended service platforms of the Company, the subsidiaries in Dubai and Singapore conformed to our general development plan while playing on their respective strengths to further expand service coverage by engaging in businesses such as cash management, loan and settlement. Steady growth is achieved in each business. With a total assets of subsidiaries of US\$10.214 billion, these subsidiaries have become a powerful complement to the business development of the Company.

As the sole offshore treasury centre of CNPC enjoying strong credit backing from CNPC and CPF, CPFHK is playing an increasingly important role in CNPC's "going global" strategy. CPFHK will continue to establish itself as a first-rate overseas financial service platform and persist in the provision of all-round financial services to CNPC and its member companies, relentlessly enhancing its standards of management, with a view to improving the quality and efficiency of its development as well as achieving sustainable, steady and healthy growth.



BOARD OF DIRECTORS AND SENIOR EXECUTIVES



LIU Yuezhen

Chief accountant of CNPC

Director of PetroChina

Chairman of China Petroleum Finance Co., Ltd.

CHAIRMAN

LIU Yuezhen is the Chairman of CPFHK, the chief accountant of CNPC, a director of PetroChina, and the Chairman of CPF. Mr. Liu is a researcher-level senior accountant and has over 30 years of working experience in the financial and accounting industry. From November 2006, he served as the chief accountant of CASIC (Group) Company. He has served as the chief accountant of CNPC since December 2013. From May 2014, Mr. Liu has been appointed a director of PetroChina. Mr. Liu was appointed as the Chairman of CPFHK in August 2015.

DIRECTORS

LAN Yunsheng is a Director of CPFHK and the General Manager of CPF. Mr. Lan is a professor-level senior accountant. He has over 30 years of working experience in China's oil and gas industry. From May 1999, Mr. Lan worked successively as the Chief Accountant of Fushun Petrochemical Company, the Chief Accountant of PetroChina Fushun Petrochemical Branch, the Deputy General Manager and concurrently the Chief Accountant of Jilin Petrochemical Company and the Deputy General Manager and concurrently the Chief Financial Officer of Jilin Chemical Industrial Co., Ltd. Mr. Lan worked as a Deputy General Manager of CPF from February 2004 to March 2008. Mr. Lan was appointed General Manager of CPF in April 2008. Mr. Lan has also been a member of the National Committee of the People's Consultative Conference and a member of the standing committee of the Revolutionary Committee of the Chinese Kuomintang. In April 2011, Mr. Lan was appointed a Director of CPFHK.



LAN Yunsheng

General Manager of China Petroleum Finance Co., Ltd.



LIANG Ping

Deputy General Manager of China
Petroleum Finance Co., Ltd.

LIANG Ping is a Director of CPFHK and a Deputy General Manager of CPF. Ms. Liang is a senior accountant. She has over 40 years of working experience in China's oil and gas industry. From December 1999, Ms. Liang worked successively as the Deputy Chief Accountant of the Finance Department and concurrently as the Section Chief of the Cash Management Division of the Finance Department of CNPC, the Deputy General Manager and the General Manager of CPF. Ms. Liang has been a Deputy General Manager of CPF since April 2008. In March 2008, Ms. Liang was appointed a Director of CPFHK.

CHAI Shouping is a Director of CPFHK and the General Manager of the Finance Department of CNPC. Mr. Chai is a professor-level senior accountant. He has over 20 years of working experience in China's oil and gas industry. From 1999 to 2012, Mr. Chai worked as the Section Chief of the IT Management Section of the Finance Department of CNPC, Deputy Chief Accountant of the Finance Department of PetroChina and Deputy General Manager of the Finance Department of PetroChina. Since September 2012, Mr. Chai has worked successively as the Chief Accountant of Overseas Exploration and Development branch of CNPC and the General Manager of the Finance Department of PetroChina. From January 2014, Mr. Chai worked as the General Manager of the Finance Department of CNPC. In November 2012, Mr. Chai was appointed a Director of CPFHK.



CHAI Shouping

General Manager of the Finance
Department of CNPC



ZHU Dongmei

Deputy Manager of Cash
Management Department of CNPC

ZHU Dongmei is a Director of CPFHK and the deputy manager of the Cash Management Department of CNPC. As a senior accountant, Ms. Zhu has over 20 years of working experience in China's oil and gas industry. From October 2009, she was an Official-level Cadre and, subsequently, Head of the Administrative Office for Foreign Fund under the Financial Asset Department of CNPC. She was appointed as the Deputy Chief Accountant of the Financial Asset Department of CNPC in October 2012. Ms. Zhu has worked as the Deputy Manager of Cash Management Department of CNPC since July 2014, and was appointed as a Director of CPFHK in August 2015.

LU Yaozhong is a Director of CPFHK and the Chief Accountant of Overseas Exploration and Development branch of CNPC, Chief Accountant of China National Oil & Gas Exploration and Development Corporation, and Financial Director of PetroChina International Investment Limited. Mr. Lu is a senior accountant with over 20 years of working experience in China's oil and gas industry. From 2004 to 2013, he worked as the Deputy General Manager of the Sino-Kazakhstan Pipeline Project under CNPC International (Kazakhstan) Ltd., the Deputy General Manager and Chief Accountant of CNPC International (PK), the Chief Accountant of CNPC International (Kazakhstan) Ltd. In August 2013, Mr. Lu became Chief Accountant of Overseas Exploration and Development branch of CNPC, Chief Accountant of China National Oil & Gas Exploration and Development Corporation and Financial Director of PetroChina International Investment Limited. He was appointed as a Director of CPFHK in August 2015.



LU Yaozhong

Chief Accountant of Overseas
Exploration and Development branch
of CNPC

Chief Accountant of China National Oil
& Gas Exploration and Development
Corporation

Financial Director of PetroChina
International Investment Limited



WANG Zhijun

General Manager of ChinaOil (Hong Kong) Corporation Limited

General Manager of PetroChina International (Hong Kong) Corporation Limited

WANG Zhijun is a Director of CPFHK, the General Manager of ChinaOil (Hong Kong) Corporation Limited and General Manager of PetroChina International (Hong Kong) Corporation Limited. Mr. Wang is a senior economist with nearly 30 years of working experience in China's oil and gas industry. From 1996 to 2008, he worked successively as the General Manager of ChinaOil (Singapore) Int'l Pte Ltd and PetroChina International (East China) Co., Ltd. Since December 2008, he is the General Manager of ChinaOil (Hong Kong) Corporation Limited and PetroChina International (Hong Kong) Corporation Limited. Mr. Wang was appointed as a Director of CPFHK in August 2015.

WANG Yongfa is a Director of CPFHK and a Deputy General Manager of CPF. Mr. Wang is a senior accountant. He has over 30 years of working experience in China's oil and gas industry. From March 2001, Mr. Wang worked as the Office Manager of CPF. From August 2005 to March 2008, Mr. Wang served as the Deputy Commissioner of the Administrative Office of Xinjiang Autonomous Region Altay Prefecture. Mr. Wang has worked as a Deputy General Manager of CPF since March 2008. In April 2011, Mr. Wang was appointed a Director of CPFHK.



WANG Yongfa

Deputy General Manager of China Petroleum Finance Co., Ltd.



LIAO Xiaoyan

Deputy General Manager of China Petroleum Finance Co., Ltd.

LIAO Xiaoyan is the Director and President of CPFHK and a Deputy General Manager of CPF. Ms. Liao is a senior accountant. She has over 20 years of working experience in China's oil and gas industry. From 1999 to 2008, Ms. Liao worked successively as a Deputy Manager of the Management and Auditing Department, Deputy Manager of the Finance Department, Manager of the International Business Department and Assistant General Manager of CPF. Ms. Liao has worked as a Deputy General Manager of CPF since July 2010. Ms. Liao has been a Director and General Manager of CPFHK since March 2008.

SENIOR EXECUTIVES

Liao Xiaoyan General Manager of CNPC Finance (HK) Limited

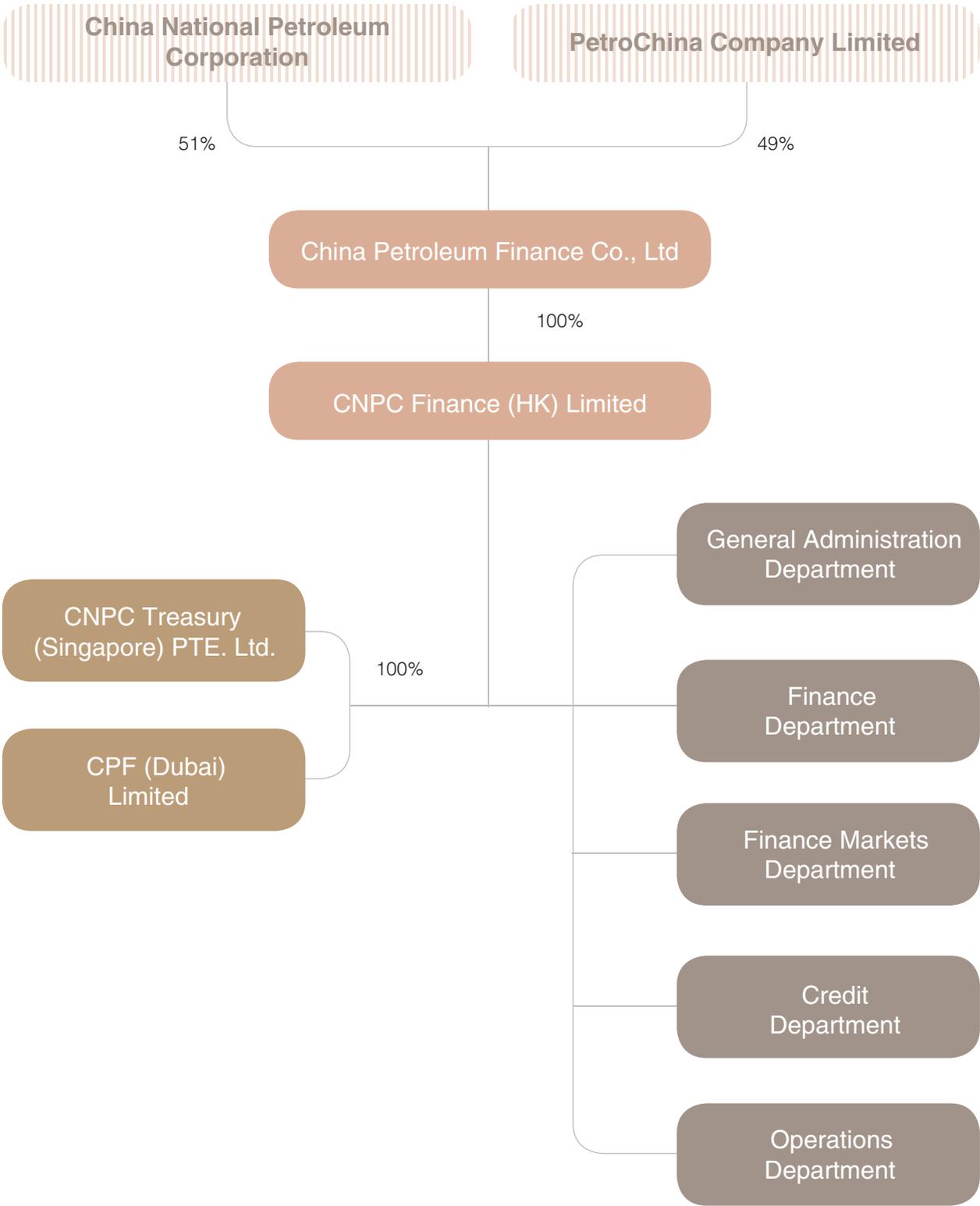
Zhang Yun Deputy General Manager of CNPC Finance (HK) Limited

Zhao Huabing Deputy General Manager of CNPC Finance (HK) Limited

Guo Hongde Deputy General Manager of CNPC Finance (HK) Limited

Wang Jinsong Chief Financial Officer of CNPC Finance (HK) Limited

ORGANISATIONAL STRUCTURE



CORPORATE GOVERNANCE, INTERNAL CONTROL AND RISK MANAGEMENT

In 2015, in view of the rapid growth of various operations, CPFHK continued to review the existing corporate governance structure. It further improved its corporate governance and internal control system by strictly implementing various risk management policies and deployments set by the Board and CPF. In addition, CPFHK enhanced its risk management and continuously strengthened its internal control and risk management standard. CPFHK has maintained a momentum of healthy development.

CORPORATE GOVERNANCE

As the core of corporate governance, the Board of CPFHK mainly aims to formulate mid-to-long-term development and risk management strategies and to monitor the implementation thereof; to review and approve annual business plans and financial budgets; to be responsible for corporate governance and compliance, among others. Directly under the leadership and supervision of CPF, CPFHK's significant credit and investment businesses as well as significant expenditures should be reported to CPF for approval.

The Board of CPFHK comprises nine directors, all of whom are senior executives of CPF, and the Board of CPFHK is chaired by the Chief Accountant of CNPC. In 2015, the Board convened one formal meetings, reviewed and approved 7 motions including the re-election of the Board, the annual work reports and financial reports.

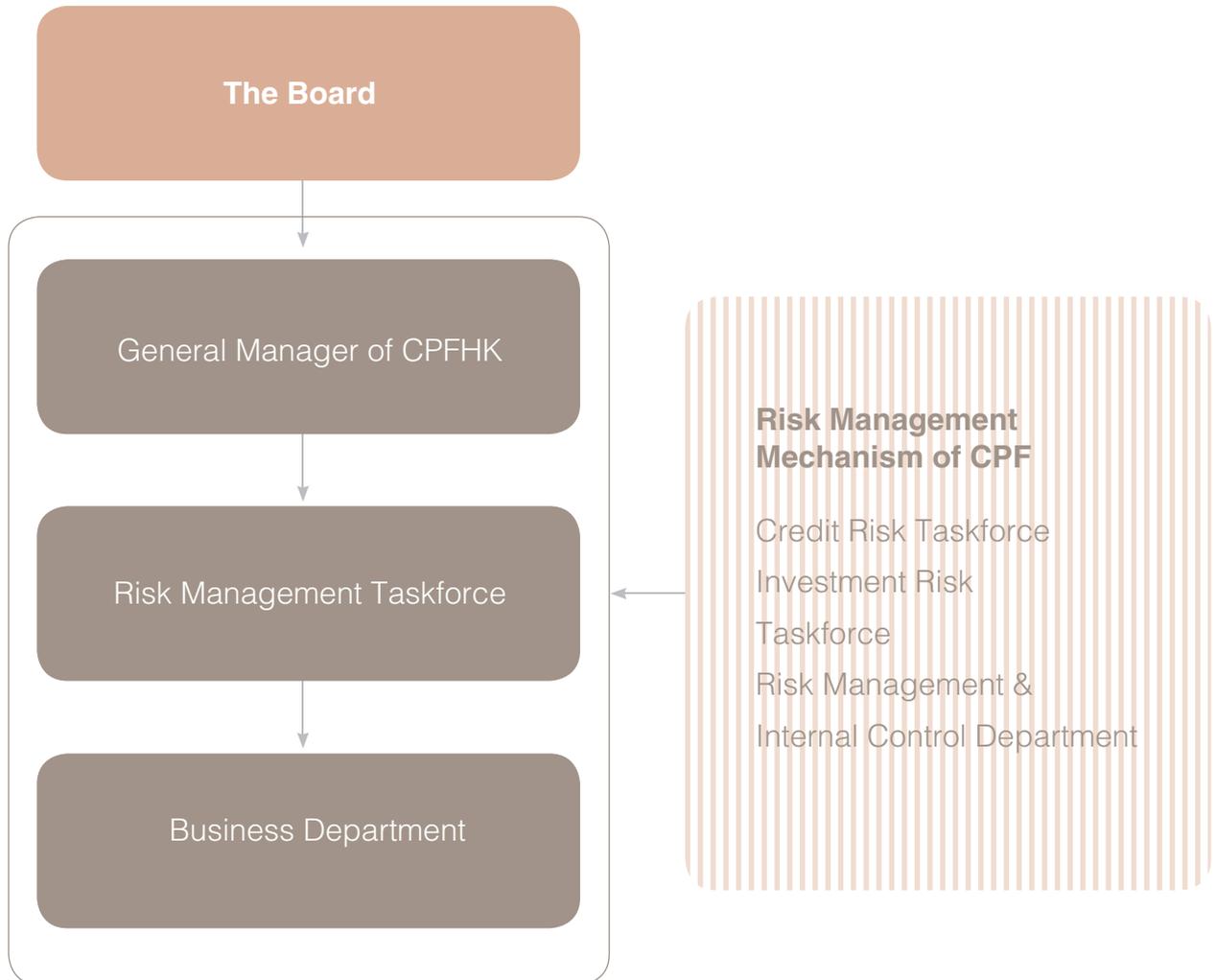
INTERNAL CONTROL AND RISK MANAGEMENT

The Board and CPF are responsible for CPFHK's internal control, under whose leadership CPFHK formulated internal control manual as a basis for the building of CPFHK's internal control system.

As a wholly owned overseas subsidiary of CPF, CPFHK is subject to on-site and off-site regulatory inspections by the Beijing Office of CBRC with CPFHK and CPF assessed for regulatory indicators as a whole. CPFHK regularly submits financial statements and reports on material matters to the Beijing Office of CBRC. In addition, as a wholly owned overseas subsidiary of a state-owned enterprise, CPFHK is also regulated by other PRC government authorities including State-owned Assets Supervision and Administration Commission ("SASAC") and National Audit Office ("NAO"). We are also required to regularly report material business matters and implement their regulations on assets and material risks in our overseas operations. Upon request of internal and external regulatory authorities, we constantly improve internal control system to ensure compliance in our operations.

In addition, CPFHK employs legal consultants to help manage legal risks.

ORGANISATIONAL STRUCTURE OF RISK MANAGEMENT



- The Board is responsible for examining and approving risk management strategies, policies and procedures based on the risk tolerance of CPFHK, monitoring and evaluating the comprehensiveness as well as the effectiveness of risk management and the performance of senior executives regarding risk management. The Board also deliberates material investment plans, defining investment domain, size and requirements on investment risk control. According to the risk policies and the scope of authorisation specified by the Board, CPFHK examines and controls risk businesses including credit and investment;
- The General Manager is responsible for managing risks of CPFHK, examining and approving business activities, and ensuring the implementation of risk management policies set at the meetings of the Board;
- The Risk Management Taskforce of CPFHK, consisting of the senior executives and department heads, examines businesses involving significant risks including those of credit and investment and reports to the General Manager;
- The business departments manage risks involved in daily businesses;
- The Credit Risk Taskforce and the Investment Risk Taskforce are set up by CPF to review respectively the credit and investment business reports submitted by CPFHK;
- The Management and Auditing Department of CPF aims to direct, supervise and test the operation of the internal control system of CPFHK.

Major risks faced by CPFHK include: credit risk, market risk, operational risk and liquidity risk.

CREDIT RISK MANAGEMENT

Credit risk refers to the risk arising from clients' or counterparties' inability or unwillingness to perform the contractual obligations. Credit risk mainly comes from loan and other businesses such as inter-bank depositing, foreign exchange and derivative transactions, and bond investment. The overseas-project proprietary loans of CPFHK should strictly follow the three-level-approval policy and the financing arrangement led by the CNPC Group Finance Department taskforce in charge of CNPC's overseas financing arrangement. Loans of CPFHK are merely offered to member companies of CNPC. The business partners for inter-bank depositing, foreign exchange transactions and investments are highly rated banks and institutions with large asset size and sound financial positions.

MARKET RISK MANAGEMENT

Market risk means possible losses due to changes in prices in the financial market, such as bond price, stock price, interest rate and exchange rate. CPFHK applies a methodology that seeks to balance risk and gains with professional prudence. Investments on bond, fund and stock within the limit and scope of products ratified by the Board are conducted in a prudent manner, and all investment plans have to be reported to CPF for approval. The separation of front desk, middle office and back office is exercised on investment to strictly control risks on investment products.

OPERATIONAL RISK MANAGEMENT

Operational risk refers to losses induced by incomplete or faulty internal procedures, staff and systems or external events.

According to the “Guidelines for the Operational Risk Management of Commercial Banks” by CBRC and the requirements of the Board and CPF, CPFHK manages its operational risks and implements the “three-defensive-line” strategy in operational risk management. Under this strategy, the business departments serve as the first defensive line, which monitors and controls risks in its own department according to its functions, duties and operational process. The management of CPFHK and the Risk Management Committee serve as the second defensive line, which makes an overall plan for the build-up of internal control system, guides, inspects and assesses operational risk management in the business departments and the implementation, and also considers and reviews material matters relating to operational risks. CPF serves as the third defensive line, which supervises and tests CPFHK’s operational risk management on a regular basis.

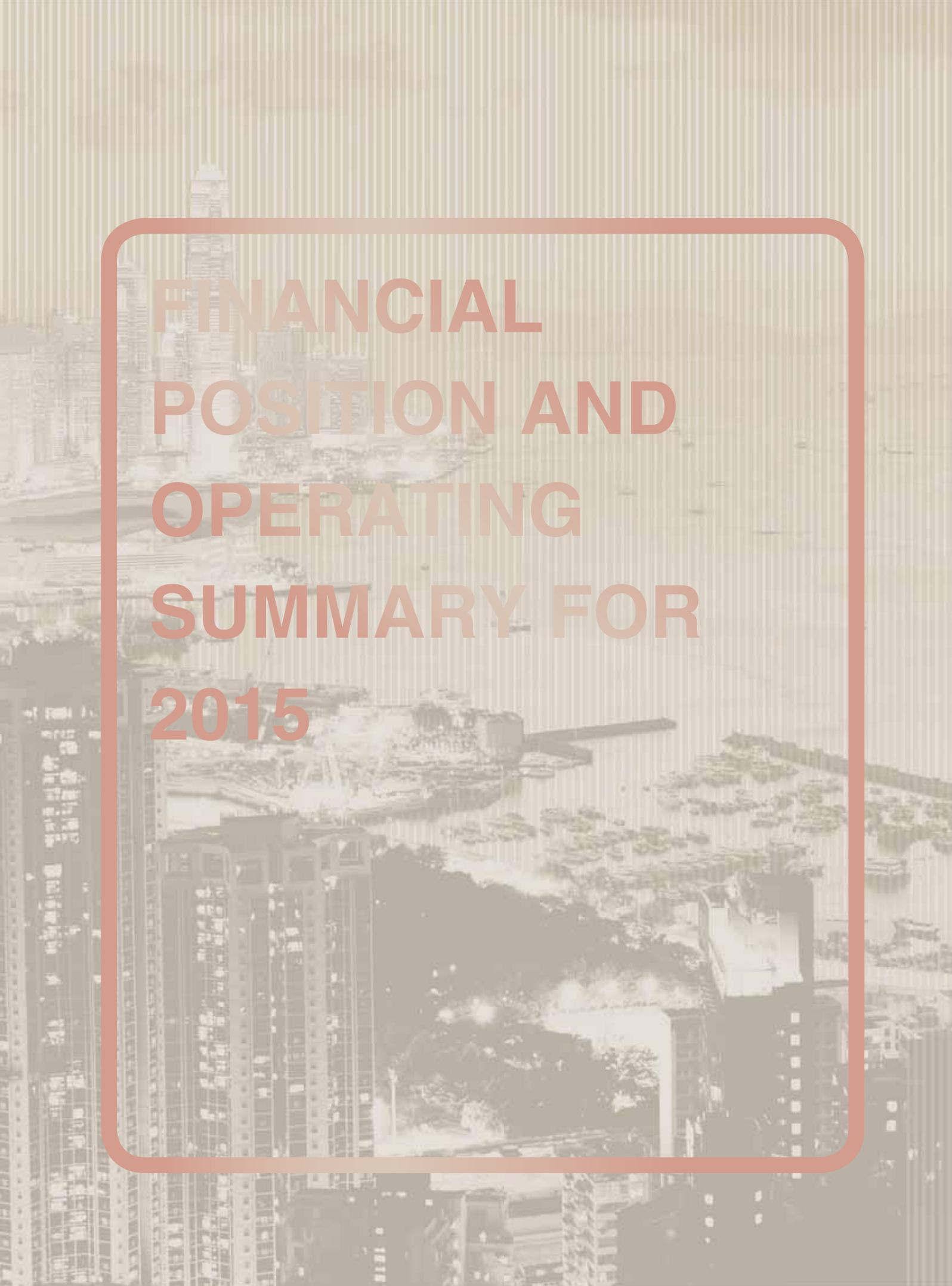
In 2015, CPFHK vigorously promoted refined management in key areas so as to further improve its operational risk mechanism. It reviewed and amended relevant rules and regulations, streamlined business workflow with a particular emphasis on management over the safety of capital and clarified job responsibilities to ensure checks and balances between positions. CPFHK strictly defined operational and approval authorisation and strengthened the enforcement of rules. It also carried out an annual inspection on risks related to major businesses and weak links. Through the incorporation of its business development and risk control points, CPFHK effected comprehensive information system advancement to strengthen the level of operational risk control. CPFHK improved the disaster recovery plan for its information system, protection procedures and emergency response plans for system failure, to ensure the stability and safety of the IT system. It organised training programs on professional skills and ethics to enhance abilities to identify and deal with risks and fostered a culture of risk awareness across the board.

LIQUIDITY RISK MANAGEMENT

Liquidity risk refers to losses that CPFHK may suffer from failures in funding assets or repaying loans. CNPC requires member companies to exercise cash flow planning and in accordance CPFHK prepares enough cash positions. In line with balanced liquidity risk appetite, CPFHK has been provided with short-term credit facilities of approximately US\$19.2 billion by 35 banks in addition to the US\$6 billion commercial paper program and US\$2 billion Euro commercial paper program. CPFHK ensures sufficient cash sources under all circumstances to meet liquidity demand.

CPFHK enjoyed sound credibility and liquidity support as agreed upon by CNPC and the parent company for its various business activities.

CPFHK will continue to improve internal control and risk management systems by enhancing risk identification, measurement, evaluation and control, and to refine rules and regulations and operational procedures to enhance compliance and effectively prevent and control risks.

An aerial photograph of a city skyline, featuring a prominent skyscraper on the left and a large body of water in the foreground. The image is overlaid with a semi-transparent orange border and text.

FINANCIAL POSITION AND OPERATING SUMMARY FOR 2015



INDEPENDENT AUDITOR'S REPORT



DIRECTORS' REPORT

For the year ended 31 December 2015

The directors present their annual report and the audited consolidated financial statements of CNPC Finance (HK) Limited (the "Company") and its subsidiaries (collectively referred as the "Group") for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activities of the Company are holding of financial and investment products and the provision of treasury services to group companies of its holding companies. The principal activities of its subsidiaries are set out in Note 25 to the consolidated financial statements.

FINANCIAL STATEMENTS AND APPROPRIATIONS

The financial performance of the Group for year ended 31 December 2015 and the financial position of the Group as at that date are set out in the consolidated financial statements.

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2015.

DIRECTORS

The directors of the Company during the year and up to the date of this report were as follows:

Liu Yuezhen	(appointed on 23 October 2015)
Lan Yunsheng	
Liang Ping	
Chai Shouping	
Zhu Dongmei	(appointed on 23 October 2015)
Lu Yaozhong	(appointed on 23 October 2015)
Wang Zhijun	(appointed on 23 October 2015)
Wang Yongfa	
Liao Xiaoyan	
Wang Guoliang	(resigned on 23 October 2015)
Liu Jian	(resigned on 23 October 2015)
Ma Xiaofeng	(resigned on 23 October 2015)

The directors of the Company's subsidiaries included in the consolidated financial statements during the year and up to the date of this report were as follows:

Wang Yongfa
Liao Xiaoyan
Xiong Yu
Zhu Dongmei
Zhang Yun

For the year ended 31 December 2015

MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Other than disclosed in Note 27 to the consolidated financial statements, no transactions, arrangements or contracts of significance to which any of the Company's holding companies, subsidiaries or fellow subsidiaries was a party and in which a director of the Company or an entity connected with a director had a interest, whether directly or indirectly, subsisted during or at the end of the financial year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

AUDITOR

A resolution will be proposed at the forthcoming general meeting of the Company to re-appoint BDO Limited as the auditor of the Company.

On behalf of the directors

Director



29 March 2016

INDEPENDENT AUDITOR'S REPORT



TO THE MEMBER OF CNPC FINANCE (HK) LIMITED

(中國石油財務(香港)有限公司)

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of CNPC Finance (HK) Limited (the “Company”) and its subsidiaries (collectively referred as the “Group”) set out on pages 41 to 87, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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 Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and 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. This report is made solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, 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.

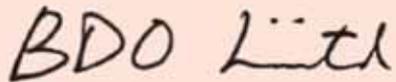
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, 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 the 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 its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Handwritten signature of BDO Ltd in black ink.

Ng Wai Man
Practising Certificate Number P05309

Hong Kong, 29 March 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 US\$'000	2014 US\$'000
Revenue	6	776,523	694,276
Interest income	6	708,385	647,322
Interest expenses	7	(357,023)	(311,785)
Net interest income		351,362	335,537
Other operating income	6	68,138	46,954
Increase in fair values of derivative financial instruments and held-for-trading investments		1,252	3,764
Other gains/(losses)	8	45,774	(3,429)
Administrative expenses		(13,312)	(8,801)
Profit before income tax	9	453,214	374,025
Income tax expense	10(a)	(16,766)	(9,573)
Profit for the year		436,448	364,452
Other comprehensive income (net of tax):			
Fair value gain on available-for-sale financial assets, which may be reclassified subsequently to profit or loss, net of tax		4,175	1,785
Reclassification of cumulative fair value changes arising from the disposal of available-for-sale financial assets, net of tax		—	(287)
Other comprehensive income (net of tax)		4,175	1,498
Total comprehensive income for the year		440,623	365,950

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 US\$'000	2014 US\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	29,269	30,033
Deferred taxation	12	–	746
Available-for-sale financial assets	13	659,391	413,889
Loan and other receivables	14	14,127,296	16,821,119
		14,815,956	17,265,787
Current assets			
Available-for-sale financial assets	13	107,633	50,000
Loan and other receivables	14	5,723,761	6,197,308
Held-for-trading investment	15	30,219	28,967
Derivative financial assets	16	109,166	103,779
Tax recoverable		–	1,243
Deposits in non-bank financial institution		3,842	1,591
Bank balances and cash	17	7,546,335	5,002,083
		13,520,956	11,384,971
Current liabilities			
Account and other payables	18	8,314,362	7,248,130
Short term bond payables	19	565,179	4,218,129
Derivative financial liabilities	20	118,646	59,517
Borrowings – due within one year	21	9,221,167	7,390,000
Bond payables – due within one year	22	1,453,105	–
Tax payable		4,470	258
		19,676,929	18,916,034

As at 31 December 2015

	Notes	2015 US\$'000	2014 US\$'000
Net current liabilities		(6,155,973)	(7,531,063)
Total assets less current liabilities		8,659,983	9,734,724
Non-current liabilities			
Deferred taxation	12	91	–
Borrowings – due after one year	21	239,316	281,215
Bond payables – due after one year	22	6,500,721	7,974,277
		6,740,128	8,255,492
NET ASSETS		1,919,855	1,479,232
CAPITAL AND RESERVES			
Share capital	24	400,000	400,000
Reserves		1,519,855	1,079,232
TOTAL EQUITY		1,919,855	1,479,232

On behalf of the directors

Director



Director



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Share capital	Investment revaluation reserve	Other reserves	Retained profits	Total
	US\$'000	US\$'000 (Note 26a)	US\$'000 (Note 26b)	US\$'000	US\$'000
At 1 January 2014	400,000	(5,346)	400,142	318,486	1,113,282
Total comprehensive income for the year	–	1,498	–	364,452	365,950
Transfer to other reserves	–	–	334,944	(334,944)	–
At 31 December 2014	400,000	(3,848)	735,086	347,994	1,479,232
Total comprehensive income for the year	–	4,175	–	436,448	440,623
Transfer to other reserves	–	–	113,121	(113,121)	–
Other	–	134	–	(134)	–
At 31 December 2015	400,000	461	848,207	671,187	1,919,855

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 US\$'000	2014 US\$'000
Operating activities		
Profit before income tax	453,214	374,025
Adjustment for:		
Depreciation of property, plant and equipment	780	791
Dividend income from available-for-sale financial assets	(110)	(127)
Gain on realisation of available-for-sale investments	–	(162)
Gain on disposal of derivative financial instruments	(29,321)	–
Increase in fair value of derivative financial instruments and held-for-trading investments	(1,252)	(3,764)
Bond interest expenses	240,006	200,768
Operating cash flows before changes in working capital	663,317	571,531
Decrease in loan and other receivables	3,187,675	3,186,880
Increase/(decrease) in account and other payables	1,066,706	(4,304,192)
Cash generated from/(used in) operation	4,917,698	(545,781)
Bond interest paid	(225,276)	(184,654)
Income tax paid	(11,311)	(9,020)
Net cash generated from/(used in) operating activities	4,681,111	(739,455)
Investing activities		
Decrease in deposits in non-bank financial institution	–	503,238
Acquisition of available-for-sale investments	(348,123)	(58,057)
Proceeds from maturity/disposals of available-for-sale investments	50,000	23,315
Proceeds from disposal of derivative financial instruments	29,321	–
Dividend received from available-for-sale financial assets	110	127
Purchase of property, plant and equipment	(4)	(1)
Net cash (used in)/generated from investing activities	(268,696)	468,622

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 US\$'000	2014 US\$'000
Financing activities		
New borrowings raised	18,925,191	16,460,000
Repayment of borrowings	(17,135,923)	(18,516,527)
Proceeds from issuance of bond payables	–	2,988,419
Repayment of bonds payables	–	(81,869)
Proceeds from issuance of short term bonds	2,753,840	5,585,540
Repayment of short term bonds	(6,409,020)	(4,865,360)
Net cash (used in)/generated from financing activities	(1,865,912)	1,570,203
Net increase in cash and cash equivalents	2,546,503	1,299,370
Cash and cash equivalents at beginning of year	5,003,674	3,704,304
Cash and cash equivalents at end of year	7,550,177	5,003,674
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	7,546,335	5,002,083
Deposits in non-bank financial institution	3,842	1,591
	7,550,177	5,003,674

CONTACT INFORMATION

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