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**中海石油化学股份有限公司**  
**China BlueChemical Ltd.\***

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

**(Stock code: 3983)**

## **RULE 13.09 ANNOUNCEMENT**

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules.

The Board is pleased to announce that the Company entered into the Equity Transfer Agreement on 30 July 2009 with Shanxi Hualu pursuant to which the Company has agreed to acquire and Shanxi Hualu has agreed to sell 49% of the equity interest in Yangpoquan Coal. The total consideration for the Equity Transfer is RMB637,000,000.00 (equivalent to approximately HK\$722,435,184.98). Immediately after the payment of the consideration payable by the Company under the Equity Transfer Agreement, the Company will be directly interested in 49% of the equity interest in Yangpoquan Coal.

The Board is also pleased to announce that the Company entered into the Capital Increase Agreement on 30 July 2009 with Shanxi Hualu, the existing equity holder of Hualu Chemical, pursuant to which the registered capital of Hualu Chemical will be increased to RMB61,224,490.00. The Company will, pursuant to the Capital Increase Agreement, contribute capital towards Hualu Chemical in the total sum of RMB40,591,837.00 (equivalent to approximately HK\$46,036,061.65). Immediately after the payment of the capital contribution by the Company, the Company will hold 51% equity interests of Hualu Chemical and become its controlling shareholder.

After completion of these transactions, the Company will plan and build a coal-based urea production base with the integration of upstream coal mining and downstream urea production.

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules.

### **I. EQUITY TRANSFER AGREEMENT**

The Board is pleased to announce that the Company entered into the Equity Transfer Agreement on 30 July 2009 with Shanxi Hualu pursuant to which the Company has agreed to acquire and Shanxi Hualu has agreed to sell 49% of the equity interest in Yangpoquan Coal. The total consideration for the Equity Transfer is RMB637,000,000.00 (equivalent to approximately HK\$722,435,184.98). Immediately after the payment of the consideration payable by the Company under the Equity Transfer Agreement, the Company will be directly interested in 49% of the equity interest in Yangpoquan Coal. The total consideration under the Equity Transfer Agreement will be funded by internal resources of the Company.

## **INFORMATION ON YANGPOQUAN COAL**

Yangpoquan Coal located in Hequ County, Shanxi Province, is a company established in the PRC on 3 August 2001. Prior to the Equity Transfer, Shanxi Hualu is the sole registered holder of 100% of the registered capital of Yangpoquan Coal. Yangpoquan Coal is principally engaged in the mining and sale of coal. The approved annual production capacity of Yangpoquan Coal is 1,200,000 tonnes of coal per annum.

## **II. CAPITAL INCREASE AGREEMENT**

The Board further announces that the Company entered into the Capital Increase Agreement on 30 July 2009 with Shanxi Hualu, the only existing equity holder of Hualu Chemical, pursuant to which the registered capital of Hualu Chemical will be increased to RMB61,224,490.00. The Company will, pursuant to the Capital Increase Agreement, contribute capital towards Hualu Chemical in the total sum of RMB40,591,837.00 (equivalent to approximately HK\$46,036,061.65). Immediately after the payment of such capital contribution by the Company, the registered capital of Hualu Chemical will be held as to 51% by the Company and 49% by Shanxi Hualu.

The total capital contribution under the Capital Increase Agreement will be funded by internal resources of the Company.

## **INFORMATION ON HUALU CHEMICAL**

Hualu Chemical located in Hequ County, Shanxi Province, is a company established in the PRC on 29 November 2005. Prior to the Capital Enlargement, Shanxi Hualu is the sole registered holder of 100% of the registered capital of Hualu Chemical. Upon the completion of the Capital Enlargement, Hualu Chemical will reposition its principal business into the making and sale of coal-based urea.

## **REASONS FOR AND BENEFITS OF THE TRANSACTIONS**

The Group's current core business is the production and sale of mineral fertilizers, including urea (the most commonly used nitrogenous fertilizer in the PRC) and phosphate fertilizers, and chemical products (primarily methanol).

The Company's development goal is to grow the Group into a leading fertilizer enterprise in the PRC. The completion of the aforesaid transactions will not only enable the Company to secure long-term coal supply and diversify its sources of key raw materials through strategic partnership, but also provide the Company with opportunities to expand its urea production capacity that will enjoy significant cost advantages and market competitiveness. Therefore, the Directors consider that the transactions are of strategic value to the Company.

The Directors confirm that to the best of their knowledge, information and belief, having made all reasonable enquiries, Shanxi Hualu and its ultimate beneficial owner are Independent Third Parties.

On such basis, the Directors are of the view that the terms of the Capital Increase Agreement and the Equity Transfer Agreement are fair and reasonable, and the entering into of the Capital Increase Agreement and the Equity Transfer Agreement is in the best interests of the Company and Shareholders as a whole.

## DEFINITIONS

In the announcement, the following expressions have the meanings set out below unless the context otherwise requires.

“Board”	the board of Directors
“Capital Increase Agreement”	the agreement dated 30 July 2009 entered into between the Company and Hualu Energy in relation to the Capital Enlargement
“Capital Enlargement”	the proposed increase in the registered capital of Hualu Chemical to RMB61,224,490.00
“Company”	中海石油化學股份有限公司 (China BlueChemical Ltd.*), a company incorporated in the PRC and the H shares of which are listed on the Main Board of the Stock Exchange
“Directors”	the directors of the Company
“Equity Transfer”	the transfer of 49% of the equity interest in Yangpoquan Coal from Shanxi Hualu to the Company pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	the agreement dated 30 July 2009 entered into between the and Shanxi Hualu pursuant to which the Company has agreed to acquire and Shanxi Hualu has agreed to sell 49% of the equity interest in Yangpoquan Coal
“Group”	the Company and its subsidiaries from time to time
“Hualu Chemical”	山西華鹿煤炭化工有限公司 (Shanxi Hualu Coal Chemical Ltd.*), a company established in the PRC with limited liability
“Independent Third Party(ies)”	person(s) or company(ies) together with its/their beneficial owner(s) who or which is/are, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiry, third party(ies) independent of the Company and the connected person(s) (as defined in the Listing Rules) to the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“RMB”	Renminbi, the lawful currency of the PRC

“Shanxi Hualu”	山西華鹿熱電有限公司 (Shanxi Hualu Thermoelectricity Co., Ltd.*), a company established in the PRC with limited liability
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yangpoquan Coal”	山西華鹿陽坡泉煤礦有限公司 (Shanxi Hualu Yangpoquan Coal Mining Co., Ltd.*), a company established in the PRC with limited liability
“%”	per cent

By order of the Board  
**China BlueChemical Ltd.**  
**Quan Changsheng**  
*Company Secretary*

Hainan Province, the PRC  
30 July 2009

*As at the date of this announcement, the executive Directors are Mr. Yang Yexin, Mr. Fang Yong and Mr. Chen Kai, the non-executive Director is Mr. Wu Mengfei, and the independent non-executive Directors are Mr. Tsui Yiu Wa, Alec, Mr. Zhang Xinzhi and Mr. Li Yongwu.*

*Unless otherwise stated, amounts denominated in RMB have been translated into HK\$ at the exchange rate of RMB0.88174 to HK\$1.00, which is a rate announced by The People’s Bank of China as at the date of this announcement, for reference purpose only. No representation is made that any amounts in RMB or HK\$ can be or could have been converted at the relevant dates at the above rate or any other rate at all.*

\* *for identification purpose only*