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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)

CONNECTED TRANSACTION PROVISION OF ENTRUSTED LOAN

ENTRUSTED LOAN AGREEMENT

The Board announces that on 10 November 2009, the Company (as principal), CNOOC Finance (as entrusted lender) and Yangpoquan Coal (as borrower) entered into the Entrusted Loan Agreement, pursuant to which, the Company will grant a loan in the principal amount of RMB50,000,000 (equivalent to approximately HK\$56,762,064.78) to Yangpoquan Coal through CNOOC Finance.

CONNECTED TRANSACTION

As at the date of the Entrusted Loan Agreement, Yangpoquan Coal is held as to 51% equity interest by Shanxi Hualu and as to 49% equity interest by the Company. The Company held 51% interest in Shanxi Hualu Chemical, whose remaining interests are held by Shanxi Hualu. Shanxi Hualu is therefore a connected person of the Company under Rule 14A.11(1) of the Listing Rules. Yangpoquan Coal is an Associate of Shanxi Hualu and hence is a connected person of the Company under the Listing Rules. The transaction contemplated under the Entrusted Loan Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios set out in the Listing Rules in respect of the Entrusted Loan Agreement represents less than 2.5% but more than 0.1%, the transaction contemplated under the Entrusted Loan Agreement is subject to the reporting and announcement requirements but exempted from the approval of the independent shareholders of the Company under the Listing Rules.

On the other hand, CNOOC Finance is a subsidiary of CNOOC, who is the controlling shareholder (as defined in the Listing Rules) of the Company, and is therefore an Associate of CNOOC. Hence, CNOOC Finance is regarded as a connected person (as defined in the Listing Rules) of the Company. CNOOC Finance provides the Group a range of financial services. Please refer to the circular of the Company dated 14 November 2008 for details.

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1. ENTRUSTED LOAN AGREEMENT

Date

10 November 2009

Parties

- (i) Yangpoquan Coal, as the borrower
- (ii) The Company, as the principal
- (iii) CNOOC Finance, as the entrusted lender

Amount of the principal of the Entrusted Loan

RMB50,000,000 (equivalent to approximately HK\$56,762,064.78)

Use of Loan proceeds

The proceeds of Entrusted Loan will be used for the purpose of improving the production and transportation conditions of Yangpoquan Coal's infrastructure which will include the construction works of gate road of coal mine and ancillary facilities.

Term

6 months, from 10 November 2009 to 10 May 2010. For the duration of the 6 months term of the Entrusted Loan Agreement, Yangpoquan Coal can request the Entrusted Loan to be drawn by instalments as needed. Each instalment must be accompanied by a loan certificate issued by Yangpoquan Coal in which the amount borrowed, the drawdown date and the maturity date shall be specified.

Interest rate

7.965% per annum. The interest rate under the Entrusted Loan Agreement is borne by Yangpoquan Coal and calculated by CNOOC Finance according to the actual duration of term of the Entrusted Loan by the day. Interest will be payable on a quarterly basis and on the twentieth day of the end of each quarter of a year.

Handling charge

2.5% per annum. The handling charge under the Entrusted Loan Agreement is payable to CNOOC Finance according to the actual duration of term of the Entrusted Loan by the calculations of the number of days and is borne by the Company.

Repayment of the Entrusted Loan

Yangpoquan Coal should deposit adequate amount of money into the account with CNOOC Finance on or before the maturity date as stated in the respective loan certificate and should handle the repayment procedure on time.

The handling charge and interest are to be paid prior to the principal of the Entrusted Loan. The Company will receive the interest and the principal amount and the handling charge is paid to CNOOC Finance.

2. REASONS FOR AND BENEFIT OF PROVISION OF ENTRUSTED LOAN

The Company's development goal is to promote the Group to be the leading fertilizer enterprise in the PRC. Upon the completion of the above transaction, the proceeds of the Entrusted Loan will be used to enhance the efficiency of Yangpoquan Coal's operation through the improvement of production and transportation conditions. The terms of the Entrusted Loan Agreement (including the interest rate and handling charge) were determined after arm's length negotiations between the Parties.

The transactions contemplated under the Entrusted Loan Agreement are made on normal commercial terms. The directors believe that the terms of the Entrusted Loan Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

3. CONNECTED TRANSACTION

As at the date of the Entrusted Loan Agreement, Yangpoquan Coal is held as to 51% equity interest by Shanxi Hualu and as to 49% equity interest by the Company. The Company held 51% interest in Shanxi Hualu Chemical, whose remaining interests are held by Shanxi Hualu. Shanxi Hualu is therefore a connected person of the Company under Rule 14A.11(1) of the Listing Rules. Yangpoquan Coal is an Associate of Shanxi Hualu and hence is a connected person of the Company under the Listing Rules. The transaction contemplated under the Entrusted Loan Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios set out in the Listing Rules in respect of the Entrusted Loan Agreement represents less than 2.5% but more than 0.1%, the transaction contemplated under the Entrusted Loan Agreement is subject to the reporting and announcement requirements but exempted from the approval of the independent shareholders under the Listing Rules.

On the other hand, CNOOC Finance is a subsidiary of CNOOC, who is a controlling shareholder (as defined in the Listing Rules) of the Company, and is therefore an Associate of CNOOC. Hence, CNOOC Finance is regarded as a connected person (as defined in the Listing Rules) of the Company. CNOOC Finance provides the Group a range of financial services. Please refer to the circular of the Company dated 14 November 2008 for details.

4. GENERAL INFORMATION

The core business of the Company is currently the production and sales of urea (the most commonly used nitrogenous fertilizer in the PRC), phosphate fertilizers and chemical products, which comprises mainly methanol.

Yangpoquan Coal is principally engaged in coal mining and sales business and its approved coal production capacity is 1,200,000 tonnes per year.

CNOOC Finance is a non-bank financial institution established in June 2002 with the approval of the People's Bank of China (中國人民銀行). It is primarily engaged in providing financial services (such as provision of loans, receiving deposits, arrangement of entrustment loans and providing settlement services) to members of the CNOOC group (including the Group).

5. DEFINITIONS

In this announcement, the following expressions have the following meanings, unless the context otherwise required:

“Associate”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors of the Company
“Business Day(s)”	a day (excluding Saturday, Sunday and PRC official public holidays)
“CNOOC”	China National Offshore Oil Corporation (中國海洋石油總公司)
“CNOOC Finance”	CNOOC Finance Corporation Limited (中海石油財務有限責任公司), a company established in the PRC
“Company”	中海石油化學股份有限公司 (China BlueChemical Ltd.*), a company established in the PRC and the H shares of which are listed on the Main Board of the Stock Exchange
“connected transaction”	has the same meaning ascribed thereto under the Listing Rules
“Director(s)”	the directors of the Company
“Entrusted Loan”	the entrusted loan as agreed per the Entrusted Loan Agreement
“Entrusted Loan Agreement”	the entrusted loan agreement dated 10 November 2009 entered into among the Company (as the principal), the CNOOC Finance (as the entrusted lender) and Yangpoquan Coal (as the borrower), pursuant to which, the Company will grant a loan of a principal amount of RMB50,000,000 (equivalent to approximately HK\$56,762,064.78) to Yangpoquan Coal through CNOOC Finance
“Group”	the Company and its subsidiaries and jointly controlled entities from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Parties”	the parties to the Entrusted Loan Agreement

“PRC”	the People’s Republic of China
“RMB”	Renminbi yuan, 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
“Shanxi Hualu Chemical”	山西華鹿煤炭化工有限公司 (Shanxi Hualu Coal and Chemical Engineering Co., Ltd*), a company established in the PRC with limited liability
“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
“‰”	per mill

For illustration purpose only, an exchange rate of RMB1.00 to HK\$0.88087 has been applied. No representation is made that any amount in RMB or HK\$ could have been or could be converted at such rate or at any other rate or at all.

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

Hainan Province, the PRC
10 November 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, Mr. Li Yongwu.

* *For identification purpose only.*