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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)**

**DISCLOSEABLE TRANSACTION  
AND  
CONTINUING CONNECTED TRANSACTIONS**

On 11 July 2010, CNOOC Fudao, a wholly-owned subsidiary of the Company, has entered into the Acquisition Agreement with Zhejiang AMP, a minority promoter of the Company, under which CNOOC Fudao has agreed to purchase, and Zhejiang AMP has agreed to sell, a 21% equity interest in Guangxi Fudao AMP.

Before signing of the Acquisition Agreement, the equity interest of Guangxi Fudao AMP were owned as to 30% by CNOOC Fudao and as to 70% by Zhejiang AMP. Following the completion of the Acquisition, Guangxi Fudao AMP will be owned as to 51% by CNOOC Fudao and as to 49% by Zhejiang AMP.

Pursuant to Chapter 14 of the Listing Rules, the Acquisition constitutes a discloseable transaction as one of the applicable percentage ratios exceeds 5% but less than 25%.

Upon completion of the Acquisition, Zhejiang AMP will become a substantial shareholder of Guangxi Fudao AMP, which is a non-wholly owned subsidiary of the Company, and therefore is a connected person to the Company pursuant to Chapter 14A of the Listing Rules.

The Group has conducted Transactions with Zhejiang AMP and its associates providing products and services to each other in the previous years under the Framework Agreement entered into by the Company and Zhejiang AMP. The Transactions will continue to be conducted on a regular and continuing basis and in the ordinary and usual course of business of the Group. Immediately after the completion of the Acquisition, the Transactions constitute continuing connected transactions of the Company pursuant to the Listing Rules.

Pursuant to Rule 14A.41 of the Listing Rules, the Transactions are subject to the applicable reporting, annual review and disclosure requirements of Chapter 14A of the Listing Rules. The Company will comply in full with all applicable reporting, annual review, disclosure and if applicable, independent shareholders' approval requirements under Chapter 14A of the Listing Rules upon any variation or renewal of the Framework Agreement.

# **THE ACQUISITION AGREEMENT**

## **Introduction**

On 11 July 2010, CNOOC Fudao, a wholly-owned subsidiary of the Company, has entered into the Acquisition Agreement with Zhejiang AMP, a minority promoter of the Company, under which CNOOC Fudao has agreed to purchase, and Zhejiang AMP has agreed to sell, a 21% equity interest in Guangxi Fudao AMP.

## **Date**

11 July 2010

## **Parties**

- (1) Zhejiang AMP, as vendor; and
- (2) CNOOC Fudao, as purchaser

## **Assets to be Acquired**

Pursuant to the Acquisition Agreement, Zhejiang AMP agrees to sell and CNOOC Fudao agrees to purchase a 21% equity interest in Guangxi Fudao AMP.

## **Consideration and Consideration Adjustments**

The consideration for the Acquisition is (a) RMB7,019,500 (equivalent to approximately HK\$8,067,648.95) which will be payable in cash by CNOOC Fudao to Zhejiang AMP within 10 days from the day after the Completion Date, and (b) plus 21% of the profit of the Relevant Period shown in the Consolidated Profit and Loss Report, or minus 21% of the loss of the Relevant Period shown in the Consolidated Profit and Loss Report (as the case may be), such portion will be settled between CNOOC Fudao and Zhejiang AMP within 15 days after the issue of the Consolidated Profit and Loss Report of the Relevant Period by the auditor. Based on the information obtained from Guangxi Fudao AMP, the consideration adjustments will not change the nature of the transaction from being a discloseable transaction.

Upon payment of the above consideration, the 21% of equity interest in Guangxi Fudao AMP will be transferred to CNOOC Fudao and the equity interest of Guangxi Fudao AMP held by CNOOC Fudao will be increased to 51%. The change of shareholdings will be entered into the register of members of Guangxi Fudao AMP accordingly.

The consideration will be financed by the Group's internal resources.

The amount of RMB7,019,500 was determined on the basis of normal commercial terms and arm's length negotiations between the Company and Zhejiang AMP, and was based on a valuation carried out by an independent PRC valuer on Guangxi Fudao AMP multiplied by 21%, (i.e. the attributable percentage of the equity interest in Guangxi Fudao AMP to be sold by Zhejiang AMP to CNOOC Fudao). As at 31 December 2009, based on such valuation, the net assets of Guangxi Fudao AMP is RMB33,426,200.

## **Conditions Precedent**

The Acquisition is conditional upon the fulfillment of the following conditions:

- (1) as at the Completion Date, the representations and warranties given by both parties to each other under the Acquisition Agreement remaining true, accurate and complete;
- (2) as at the Completion Date (including the Completion Date), there being no events which would have significant adverse impact on the financial, assets and operations of the Guangxi Fudao AMP and its subsidiaries;
- (3) the passing of resolutions by the shareholders of Guangxi Fudao AMP approving the amended articles of association at the general meeting of Guangxi Fudao AMP;
- (4) all necessary approvals having been obtained from the relevant internal departments of each of CNOOC Fudao and Zhejiang AMP; and
- (5) all necessary documentation regarding the registration and filings with the local Industrial and Commercial Administration Bureau in respect of the Acquisition having been prepared.

## **Registration and Filing of the Acquisition**

Zhejiang AMP and Guangxi Fudao AMP shall register and file with the local Industrial and Commercial Administration Bureau in respect of the Acquisition within 3 Business Days after the consideration is fully settled.

## **Reasons for and Benefits of the Acquisition**

The actual control of Guangxi Fudao AMP was gained through the Acquisition and Guangxi Fudao AMP became a sales company controlled by the Company, and this could gradually increase the sales volume of the Company's products in the Guangxi region.

The Directors of the Company confirm that the Acquisition is conducted on normal commercial terms, in the ordinary and usual course of the Company's business and the terms of the Acquisition Agreement are fair and reasonable and in the interests of the Company and the shareholders as a whole.

## **INFORMATION ON THE FRAMEWORK AGREEMENT**

### **Date**

22 August 2006

### **Parties**

The Company and Zhejiang AMP

### **Continuing Transactions**

The Group has agreed to supply products manufactured by the Group and services to Zhejiang AMP and its associates, and the parties subsequently agreed that the Group could also purchase goods and services from Zhejiang AMP and its associates.

## Term

Pursuant to the Framework Agreement, upon expiry and subject to the applicable requirements under the Listing Rules, the term can be extended automatically to a date as agreed by the parties, save that at least 3 months prior written notice before the expiration date is given from one party to the other that such party does not want to continue with the Framework Agreement.

The Framework Agreement is effective from 22 August 2006 to 31 December 2008, and subsequently extended to 31 December 2015 as agreed by the parties to the Framework Agreement.

## Implementation Agreements

Members of the Group may, from time to time and as necessary, enter into separate implementation agreements for specific transactions contemplated under the Framework Agreement with Zhejiang AMP. Each implementation agreement will set out the specific specifications for the Transactions.

## Reasons for and Benefits of the Transactions

By providing related products and services to Zhejiang AMP and its associates, the Group can fully take advantage of the rich resources of their sales networks and enhance the competitiveness of our products effectively in other distribution areas. In addition, the Group purchase goods and services from Zhejiang AMP and its associates which in turn could enlarge the Group's purchase network. Further, Zhejiang AMP and its associates are able to supply goods and services at such price and on such terms that the Group considers reasonable.

The Directors of the Company confirm that the Transactions are conducted on normal commercial terms, in the ordinary and usual course of the Company's business and the terms of the Framework Agreement are fair and reasonable and in the interests of the Company and the shareholders as a whole. The Directors also confirm that none of them have a material interest in the Transactions.

## INFORMATION ON ZHEJIANG AMP

Zhejiang AMP is one of the Company's five promoters and mainly engaged in the sales of the agricultural means of production.

## INFORMATION ON GUANGXI FUDAO AMP

Guangxi Fudao AMP is an entity established in the PRC and principally engaged in the sales of fertilizers.

The following information is a summary of the audited consolidated financial statements of the Guangxi Fudao AMP for the years ended 31 December 2008 and 31 December 2009:

	<b>For the year ended 31 December 2008</b> <i>RMB'000</i>	<b>For the year ended 31 December 2009</b> <i>RMB'000</i>
Net profits/(loss) before tax	18,359	(10,011)
Net profits/(loss) after tax	<u>13,244</u>	<u>(7,308)</u>

## **INFORMATION ON THE COMPANY AND CNOOC FUDAO**

The core business of the Company is currently the production and sales of urea, phosphate fertilizers and chemical products, which comprises mainly methanol.

CNOOC Fudao is a wholly-owned subsidiary of the Company and mainly engaged in the production and sales of fertilizers.

## **LISTING RULES IMPLICATIONS**

Before signing of the Acquisition Agreement, the equity interest of Guangxi Fudao AMP were owned as to 30% by CNOOC Fudao and as to 70% by Zhejiang AMP. Following the completion of the Acquisition, Guangxi Fudao AMP will be owned as to 51% by CNOOC Fudao and as to 49% by Zhejiang AMP.

Pursuant to Chapter 14 of the Listing Rules, the Acquisition constitutes a discloseable transaction as one of the applicable percentage ratios exceeds 5% but less than 25%.

Upon completion of the Acquisition, Zhejiang AMP will become a substantial shareholder of Guangxi Fudao AMP, which is a non-wholly owned subsidiary of the Company, and therefore is a connected person to the Company pursuant to Chapter 14A of the Listing Rules.

The Group has conducted Transactions with Zhejiang AMP and its associates providing products and services to each other in the previous years under the Framework Agreement entered into by the Company and Zhejiang AMP. The Transactions will continue to be conducted on a regular and continuing basis and in the ordinary and usual course of business of the Group. Immediately after the completion of the Acquisition, the Transactions constitute continuing connected transactions of the Company pursuant to the Listing Rules.

Pursuant to Rule 14A.41 of the Listing Rules, the Transactions are subject to the applicable reporting, annual review and disclosure requirements of Chapter 14A of the Listing Rules. The Company will comply in full with all applicable reporting, annual review, disclosure and if applicable, independent shareholders' approval requirements under Chapter 14A of the Listing Rules upon any variation or renewal of the Framework Agreement.

## **DEFINITIONS**

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

“Acquisition”	the acquisition of a 21% equity interest in Guangxi Fudao AMP by CNOOC Fudao from Zhejiang AMP
“Acquisition Agreement”	the agreement dated 11 July 2010 entered into between CNOOC Fudao and Zhejiang AMP in relation to the Acquisition
“associates”	has the same meaning ascribed thereto under the Listing Rules
“Business Day”	a day (excluding Saturday, Sunday and PRC official public holidays)

“CNOOC Fudao”	海洋石油富島有限公司 (CNOOC Fudao Limited*), a company established in the PRC and is currently a wholly-owned subsidiary of the Company
“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
“Completion Date”	the third day after receipt of the Completion Notice by CNOOC Fudao
“Completion Notice”	a notice to be issued by Zhejiang AMP within 2 Business Days from the date informing CNOOC Fudao that all the conditions precedent set out in the Acquisition Agreement have been satisfied
“connected transaction”	has the same meaning ascribed thereto under the Listing Rules
“Consolidated Profit and Loss Report”	the audited financial statements showing the consolidated profit and loss of Guangxi Fudao AMP for the Relevant Period prepared in accordance with the applicable PRC accounting policies and principles by a qualified PRC accounting firm appointed as the auditor
“Director(s)”	the directors of the Company
“Framework Agreement”	the framework agreement dated 22 August 2006 entered into between the Company and Zhejiang AMP
“Group”	the Company and its subsidiaries
“Guangxi Fudao AMP”	廣西富島農業生產資料有限公司 (Guangxi Fudao Agricultural Means of Production Limited*) an entity established in the PRC and its equity interest were owned as to 70% by Zhejiang AMP and as to 30% by CNOOC Fudao before the Acquisition
“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)
“PRC”	the People’s Republic of China
“Relevant Period”	from 1 January 2010 to 31 March 2010
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the transactions contemplated under the Framework Agreement

“Zhejiang AMP”

浙江農資集團有限公司 (Zhejiang AMP Incorporation\*), one of the Company’s five promoters

“%”

per cent

*Unless otherwise stated, amounts denominated in RMB have been translated into HK\$ at the exchange rate of RMB0.87008 to HK\$1.00, which is a rate announced by The People’s Bank of China as at the Business Day immediately preceding the date of this announcement, for illustration purposes 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.*

By order of the board of directors of  
**China BlueChemical Ltd.\***  
**Quan Changsheng**  
Company Secretary

Beijing, the PRC  
11 July 2010

*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. Zhang Xinzhi, Mr. Tsui Yiu Wa, Alec and Mr. Gu Zongqin.*

\* For identification purpose only