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

**(Stock code: 3983)**

## **ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS**

### **LAND USE RIGHTS LEASE AGREEMENT**

References are made to the announcement published by the Company on 12 December 2008 and the circular published by the Company on 31 December 2008 in relation to, inter alia, the Land Use Rights Lease Agreement entered into between CNOOC Investment and ZHJ Mining on 22 September 2008, pursuant to which CNOOC Investment has agreed to lease the rights to use certain parcels of land in Hubei Province of the PRC to ZHJ Mining for general business and staff quarter uses.

As ZHJ Mining was deregistered and consolidated into DYK Chemical in August 2009 and the Land Use Rights Lease Agreement between CNOOC Investment and ZHJ Mining expired on 31 December 2010, CNOOC Investment entered into a New Land Use Rights Lease Agreement with DYK Chemical on 31 December 2010 pursuant to which CNOOC Investment has agreed to continue, on the same terms, to lease the rights to use certain parcels of land in Hubei Province of the PRC to DYK Chemical for general business and staff quarter uses. The rent payable is on the same basis as that of the Land Use Rights Lease Agreement.

As announced by the Company on 5 November 2008, the annual cap for leases of properties by the Group from the CNOOC Group under the Properties Leasing Agreement is RMB15,845,000 for the year ending 31 December 2011. In accordance with the circular issued to the Shareholders on 31 December 2008 by the Company, the annual amount under the Land Use Rights Lease Agreement has been aggregated with those of the annual amount under the Properties Leasing Agreement and the annual cap for leases of properties is RMB15,845,000 (this amount excludes the annual rent for the Land Use Rights Lease Agreement of RMB3,000,000) for the year ending 31 December 2011.

In light of the increase in rent paid to CNOOC Group pursuant to leasing of certain property in Beijing from CNOOC Group for office use since May 2010 under the Properties Leasing Agreement and the aggregation of the annual figure for the New Land Use Rights Lease Agreement, the Board expects that the existing annual cap for the year ending 31 December 2011 will not be sufficient and therefore the Board revised the annual cap to RMB28,285,000 for the year ending 31 December 2011. The Board confirms that the actual amount of the transactions under the Properties Leasing Agreement and the Land Use Rights Lease Agreement for 2010 have not exceeded the annual cap of RMB18,845,000 for the year ending 31 December 2010, and for the period from 1 January 2011 to the date of this announcement, the actual amount of the transactions under the Properties Leasing Agreement and the New Land Use Rights Lease Agreement have not exceeded the existing annual cap of RMB15,845,000 for the year ending 31 December 2011.

#### **CONTINUING CONNECTED TRANSACTIONS WITH ZHEJIANG AMP**

An announcement was published by the Company pursuant to Rule 14A.41 of the Listing Rules on 11 July 2010 in relation to the acquisition of the 21% equity interest in Guangxi Fudao AMP and the continuing connected transactions with Zhejiang AMP and its Associates after completion of the acquisition.

Considering the Company's previous transaction amount with Zhejiang AMP and its Associates and the anticipated transaction amount with Zhejiang AMP and its Associates in 2011, the Board expects that the annual caps for the continuing connected transactions with Zhejiang AMP and its Associates in 2011 are (i) RMB138,600,000 for sales of product and provision of service by the Group to Zhejiang AMP and its Associates; and (ii) RMB12,000,000 for purchase of product and service by the Group from Zhejiang AMP and its Associates.

#### **LISTING RULES IMPLICATIONS**

As of the date of this announcement, CNOOC is the controlling Shareholder of the Company. CNOOC and its Associates are connected persons of the Company under Rule 14A.11 of the Listing Rules. CNOOC Investment is a wholly-owned subsidiary of CNOOC and is therefore an Associate of CNOOC under Rule 19A.04 of the Listing Rules. It is also a connected person of the Company pursuant to Rule 14A.11(4) of the Listing Rules. Accordingly, the Transactions under the New Land Use Rights Lease Agreement constitute continuing connected transactions of the Company. As the highest of the applicable size test percentage ratios in respect of the annual cap for 2011 under the Property Leasing Agreement after aggregating the annual rent for the New Land Use Rights Lease Agreement is more than 0.1% but less than 5%, the Transactions are subject to the reporting, annual review and announcement requirements but exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

#### **NEW LAND USE RIGHTS LEASE AGREEMENT**

References are made to the announcement published by the Company on 12 December 2008 and the circular published by the Company on 31 December 2008 in relation to, inter alia, the Land Use Rights Lease Agreement entered into between CNOOC Investment and ZHJ Mining on 22 September 2008, pursuant to which CNOOC Investment has agreed to lease the rights to use certain parcels of land in Hubei Province of the PRC to ZHJ Mining for general business and staff quarter uses.

As ZHJ Mining was deregistered and consolidated into DYK Chemical in August 2009 and the Land Use Rights Lease Agreement between CNOOC Investment and ZHJ Mining expired on 31 December 2010, CNOOC Investment entered into a New Land Use Rights Lease Agreement with DYK Chemical on 31 December 2010 pursuant to which CNOOC Investment has agreed to continue, on the same terms, to lease the rights to use certain parcels of land in Hubei Province of the PRC to DYK Chemical for general business and staff quarter uses. The rent payable is on the same basis as that of the Land Use Rights Lease Agreement.

**Date**

31 December 2010

**Parties**

- (1) CNOOC Investment, as landlord; and
- (2) DYK Chemical, as tenant

**Nature**

Lease of the rights to use certain parcels of land in Hubei Province of the PRC

**Term**

Three years commencing from 1 January 2011 to 31 December 2013, both days inclusive. Upon expiration of the lease term, the term of the New Land Use Rights Lease Agreement will automatically be extended for one year provided that no party will give a three-month prior notice in writing to the other party to terminate the agreement and the requirements of the Listing Rules in relation to connected transactions are complied with. If the term of the New Land Use Rights Lease Agreement is extended for one year, the Company will comply in full with all applicable requirements of the Listing Rules.

**Rent**

Rent payable during the lease term is RMB3,000,000 per annum, after taking into account of various factors, such as the locations and quality of the land.

**REVISION OF THE ANNUAL CAP**

As announced by the Company on 5 November 2008, the annual cap for leases of properties by the Group from the CNOOC Group under the Properties Leasing Agreement is RMB15,845,000 for the year ending 31 December 2011. In accordance with the circular issued to the Shareholders on 31 December 2008 by the Company, the annual amount under the Land Use Rights Lease Agreement has been aggregated with those of the annual amount under the Properties Leasing Agreement and the annual cap for leases of properties is RMB15,845,000 (this amount excludes the annual rent for the Land Use Rights Lease Agreement of RMB3,000,000) for the year ending 31 December 2011.

In light of the increase in rent paid to CNOOC Group pursuant to leasing of certain property in Beijing from CNOOC Group for office use since May 2010 under the Properties Leasing Agreement and the aggregation of the annual figure for the New Land Use Rights Lease Agreement, the Board expects that the existing annual cap for the year ending 31 December 2011 will not be sufficient and therefore the Board revised the annual cap to RMB28,285,000 for the year ending 31 December 2011. The Board confirms that the actual amount of the transactions under the Properties Leasing Agreement and the Land Use Rights Lease Agreement for 2010 have not exceeded the annual cap of RMB18,845,000 for the year ending 31 December 2010, and for the period from 1 January 2011 to the date of this announcement, the actual amount of the transactions under the Properties Leasing Agreement and the New Land Use Rights Lease Agreement have not exceeded the existing annual cap of RMB15,845,000 for the year ending 31 December 2011.

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

The New Land Use Rights Lease Agreement entered into between DYK Chemical and CNOOC Investment was for the business needs and for the benefits of the Group. The Company is one of the major subsidiaries of CNOOC which is one of the largest petroleum companies in the PRC. In view of the extensive resources and experience of the CNOOC Group, it is desirable for the Group to continue to seek supports and maintain business relationship with the CNOOC Group.

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 New Land Use Rights Lease Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors confirmed that none of them have a material interest in the Transactions.

## **INFORMATION ON CNOOC INVESTMENT**

CNOOC Investment is a wholly-owned subsidiary of CNOOC and primarily engages in asset investments and management of entrusted asset investments.

## **INFORMATION ON THE COMPANY AND DYK CHEMICAL**

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

DYK Chemical is a non-wholly-owned subsidiary of the Company and primarily engages in phosphate mining and processing, and the production and sales of mono-ammonium phosphate and di-ammonium phosphate fertilizers.

## **CONTINUING CONNECTED TRANSACTIONS WITH ZHEJIANG AMP**

An announcement was published by the Company pursuant to Rule 14A.41 of the Listing Rules on 11 July 2010 in relation to the acquisition of the 21% equity interest in Guangxi Fudao AMP and the continuing connected transactions with Zhejiang AMP and its Associates after completion of the acquisition.

Considering the Company's previous transaction amount with Zhejiang AMP and its Associates and the anticipated transaction amount with Zhejiang AMP and its Associates in 2011, the Board expects that the annual caps for the continuing connected transactions with Zhejiang AMP and its Associates in 2011 are (i) RMB138,600,000 for sales of product and

provision of service by the Group to Zhejiang AMP and its Associates; and (ii) RMB12,000,000 for purchase of product and service by the Group from Zhejiang AMP and its Associates.

## LISTING RULES IMPLICATIONS

As of the date of this announcement, CNOOC is the controlling Shareholder of the Company. CNOOC and its Associates are the connected persons of the Company under Rule 14A.11 of the Listing Rules. CNOOC Investment is a wholly-owned subsidiary of CNOOC and is therefore an Associate of CNOOC under Rule 19A.04 of the Listing Rules. It is also the connected person of the Company pursuant to Rule 14A.11(4) of the Listing Rules. Accordingly, the Transactions under the New Land Use Rights Lease Agreement constitute continuing connected transactions of the Company.

As the highest of the applicable size test percentage ratios in respect of the annual cap for 2011 under the Property Leasing Agreement after aggregating the annual rent for the New Land Use Rights Lease Agreement is more than 0.1% but less than 5%, the Transactions are subject to the reporting, annual review and announcement requirements but exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## DEFINITIONS

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

“Associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“CNOOC”	中國海洋石油總公司 (China National Offshore Oil Corporation*), a company established in the PRC which is also the controlling Shareholder of the Company holding approximately 59.41% of all of the shares of the Company in issue as at the date of this announcement
“CNOOC Group”	CNOOC and its Associates presented as a group, excluding the Group, CNOOC Limited (the shares of which are listed on the Stock Exchange and the New York Stock Exchange), China Oilfield Services Limited (the H shares of which are listed on the Stock Exchange and the A shares of which are on the Shanghai Stock Exchange) and Offshore Oil Engineering Co., Ltd. (the A shares of which are listed on the Shanghai Stock Exchange)
“CNOOC Investment”	中海石油投資控股有限公司 (CNOOC Investment Co. Ltd.*), a company established in the PRC which is a wholly-owned subsidiary of CNOOC
“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 person(s)”	has the same meaning ascribed thereto under the Listing Rules

“connected transactions”	has the same meaning ascribed thereto under the Listing Rules
“Director(s)”	the directors of the Company
“DYK Chemical”	湖北大峪口化工有限責任公司 (Hubei Dayukou Chemical Co., Ltd.*), a company established in the PRC with limited liability
“Group”	the Company and its subsidiaries
“Land Use Rights Lease Agreement”	the land use rights lease agreement entered into between CNOOC Investment and ZHJ Mining dated 22 September 2008
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“New Land Use Rights Lease Agreement”	the land use rights lease agreement entered into between CNOOC Investment and DYK Chemical dated 31 December 2010
“PRC”	People’s Republic of China
“Properties Leasing Agreement”	the properties lease agreement entered into between the Company and CNOOC dated 1 September 2006 which was supplemented by an agreement dated 5 November 2008, details of which are set out in the announcement of the Company dated 5 November 2008
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	collectively, the transactions contemplated under the New Land Use Rights Lease Agreement
“ZHJ Mining”	formerly known as 中化建礦業有限公司 (ZHJ Mining Co., Ltd.*), a company established in the PRC with limited liability. It was deregistered and consolidated into DYK Chemical in August 2009
“%”	per cent

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

Beijing, the PRC  
 27 March 2011

*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.