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

(Stock Code: 3983)

**CONTINUING CONNECTED TRANSACTIONS
AND ANNUAL CAPS
FOR CONTINUING CONNECTED TRANSACTIONS**

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Certain continuing connected transactions of the Company are required to be conducted with its connected persons in the ordinary and usual course of business of the Company, on normal commercial terms and on terms that are fair and reasonable as far as the Shareholders as a whole are concerned.

As some of the agreements governing the continuing connected transactions entered into by the Company and their respective annual caps will expire on 31 December 2011, the Company proposes to (i) enter into agreements or supplemental agreements (where applicable) in respect of the abovementioned continuing connected transactions, and (ii) set the annual caps for 2012 to 2014 for certain types of continuing connected transactions.

EGM

The Company will convene an EGM to obtain the approval of Independent Shareholders for, among other things:

- (1) the Proposed Caps for 2012 to 2014 for the continuing connected transactions contemplated under the Natural Gas Sale and Purchase Agreement entered into between the Company and CNOOC China Limited;
- (2) the entering into of the Comprehensive Services and Product Sales Agreement between the Company and CNOOC and the Proposed Caps for 2012 to 2014 contemplated thereunder;
- (3) the entering into of the supplemental agreement of the Financial Services Agreement between the Company and CNOOC Finance and the Proposed Caps for 2012 to 2014 in respect of the deposit transactions with CNOOC Finance contemplated thereunder; and

- (4) the entering into of the supplemental agreement of the Kingboard Product Sales and Services Agreement between the Company and Hong Kong Kingboard and the Proposed Caps for 2012 to 2014 contemplated thereunder.

A circular containing, among other things, details relating to the continuing connected transactions, the recommendation of the Independent Board Committee, the advice of the Independent Financial Adviser and a notice of the EGM will be despatched by the Company to the Shareholders on or before 15 November 2011.

I. CONTINUING CONNECTED TRANSACTIONS AND ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS

References are made to the Company's announcements dated 5 November 2008, 12 December 2008 and 27 March 2011 and the circulars dated 14 November 2008 and 31 December 2008 in relation to, among other things, the continuing connected transactions of the Company contemplated under certain agreements (as supplemented by their respective supplemental agreements) entered into between the Company and its connected persons.

Certain continuing connected transactions of the Company are required to be conducted with its connected persons in the ordinary and usual course of business of the Company, on normal commercial terms and on terms that are fair and reasonable as far as the Shareholders as a whole are concerned.

As some of the agreements governing the continuing connected transactions entered into by the Company and their respective annual caps will expire on 31 December 2011, the Company proposes to (i) enter into agreements or supplemental agreements (where applicable) in respect of the abovementioned continuing connected transactions, and (ii) set the annual caps for 2012 to 2014 for certain types of continuing connected transactions.

A summary of the abovementioned continuing connected transactions is set out below.

Continuing connected transactions with CNOOC and its Associates

A1. Properties Leasing Agreement

References are made to the Company's announcements dated 5 November 2008, 12 December 2008 and 27 March 2011 and the circulars dated 14 November 2008 and 31 December 2008 in relation to, among other things, the continuing connected transactions of the Company.

The Company is required to lease certain properties from CNOOC in the ordinary and usual course of its business. The Company entered into a properties leasing agreement on 1 September 2006 with CNOOC (as supplemented by a supplemental agreement dated 5 November 2008 and will expire on 31 December 2011) to ascertain the terms and conditions for the leases of such properties.

On 9 November 2011, the Company re-entered into a properties leasing framework agreement with CNOOC (the "**Properties Leasing Agreement**") on normal commercial terms, pursuant to which the Group may lease properties and land use rights from CNOOC Group.

The term of the Properties Leasing Agreement will commence on 1 January 2012 and expire on 31 December 2014, but may be renewed upon agreement provided that the requirements of the Listing Rules in relation to connected transactions are complied with.

The rent and/or property management fee for each lease should be agreed by the relevant parties by entering into separate agreements, taking into account such factors as the location and the state of the properties and shall not be higher than the market rent and property management fees of similar properties.

A2. COSL Transportation Agreement

References are made to the Company's announcement dated 5 November 2008 and the circular dated 14 November 2008 in relation to, among other things, the continuing connected transactions of the Company.

The Company is required to utilize ocean-going transportation services provided by COSL for its products in the ordinary and usual course of its business. The Company and COSL entered into a transportation services framework agreement on 1 September 2006 (as supplemented by a first supplemental agreement dated 5 November 2008 and will expire on 31 December 2011).

The Company entered into a second supplemental agreement to the transportation services framework agreement on 9 November 2011 with COSL (together with transportation services framework agreement dated 1 September 2006, the "**COSL Transportation Agreement**"), pursuant to which (i) the terms of the transportation services framework agreement with COSL dated 1 September 2006 remain unchanged, and (ii) the term of the COSL Transportation Agreement will be extended to commence on 1 January 2012 and expire on 31 December 2014 but may be renewed upon agreement provided that the requirements of the Listing Rules in relation to connected transactions are complied with.

A3. Natural Gas Sale and Purchase Agreements

References are made to the Company's announcement dated 5 November 2008 and the circular dated 14 November 2008 in relation to, among other things, the continuing connected transactions of the Company.

The Company entered into three long-term agreements with CNOOC China Limited, a wholly-owned subsidiary of CNOOC Limited, namely (1) Dongfang 1-1 Offshore Gasfield Natural Gas Sale and Purchase Agreement between CNOOC China Limited and the Company dated 28 July 2003 (details of which was set out in the Prospectus), the term of this agreement commenced on 1 October 2003 and will expire on 30 September 2023, (2) Dongfang 1-1 Offshore Gasfield Natural Gas Sale and Purchase Agreement between CNOOC China Limited and CNOOC Jiantao dated 10 March 2005 (details of which was set out in the Prospectus), the term of this agreement is of 20 years commencing on 15 October 2006, and (3) a natural gas sale and purchase framework agreement between the Company and CNOOC China Limited dated 1 September 2006 (excluding the transactions conducted under the above two agreements, details of which were set out in the Prospectus), the term of the agreement is of 20 years commencing on 1 September 2006 (including the Ledong Natural Gasfields Natural Gas Sale and Purchase Agreement entered into between

CNOOC China Limited and the Company on 26 March 2010, details of which were set out in the 2010 annual report of the Company, and the term of the agreement commenced on 1 January 2011 and will expire on 31 December 2025, or the substitute period as determined in accordance with the terms of the agreement). The abovementioned agreements are collectively referred to as the “**Natural Gas Sale and Purchase Agreements**”.

The Natural Gas Sale and Purchase Agreements will not expire this year and the terms remain unchanged.

A4. Comprehensive Services and Product Sales Agreement

References are made to the Company’s announcements dated 5 November 2008, 12 December 2008 and 27 March 2011 and the circulars dated 14 November 2008 and 31 December 2008 in relation to, among other things, the continuing connected transactions of the Company.

The Company entered into a comprehensive services and product sales framework agreement with CNOOC on 1 September 2006 (as supplemented by a supplemental agreement dated 5 November 2008 and will expire on 31 December 2011).

On 9 November 2011, the Company re-entered into a comprehensive services and product sales framework agreement with CNOOC (the “**Comprehensive Services and Product Sales Agreement**”), pursuant to which:

- (a) the CNOOC Group may provide services and supplies to the Group (such as telecommunication and network services, engineering services, construction services, agency services, equipment leasing and maintenance, project management services, labour services, materials/equipment procurement services, transportation services, technical training services, catering, hospital and vehicle rental);
- (b) the Group may provide to the CNOOC Group services and supplies (such as provision of offices and facilities, vehicle rental, logistics management and services, accommodation/conference services/business services/catering services and transportation); and
- (c) the Group may sell products to the CNOOC Group and the CNOOC Group may sell products to the Group.

The term of the Comprehensive Services and Product Sales Agreement will commence on 1 January 2012 and expire on 31 December 2014, but may be renewed upon agreement provided that the requirements of the Listing Rules in relation to connected transactions are complied with.

The transactions under the Comprehensive Services and Product Sales Agreement will be conducted on normal commercial terms and conditions which shall not be less favourable than those offered to third parties, and priced in accordance with the following pricing principles:

- (i) where there is a government-prescribed price (including that prescribed by local governments) or a government guidance price, at the government-prescribed price or the government guidance price;

- (ii) where there is neither a government-prescribed price nor a government guidance price, the market price; and
- (iii) where none of the above (i) and (ii) is applicable, the price will be determined based on the cost plus a gross margin of up to 10% on cost (before tax).

The Group may, from time to time when the situation requires, enter into separate agreements which will set out the specific scope of services and products, and the terms and conditions of providing such services and the sale and purchase of such products according to the principles laid down by the Comprehensive Services and Product Sales Agreement.

A5. Financial Services Agreement

References are made to the Company's announcement dated 5 November 2008 and the circular dated 14 November 2008 in relation to, among other things, the continuing connected transactions of the Company.

The Group utilizes from time to time financial services provided by CNOOC Finance and, therefore, entered into a financial services framework agreement with CNOOC Finance on 1 September 2006 (as supplemented by a first supplemental agreement dated 3 November 2008 and will expire on 31 December 2011), pursuant to which CNOOC Finance will provide to the Group a range of financial services that the Group may require, including the following:

- (a) provision of loans to the Group, which do not include entrustment loans referred to in Category (c2);
- (b) deposit services;
- (c1) bank notes discounting services;
- (c2) arrangement of entrustment loans between the Company and its subsidiaries; and
- (c3) settlement services which include settlement for transactions between the Company and its subsidiaries and for transactions between the Group and the CNOOC Group.

The Company entered into a second supplemental agreement to the financial service framework agreement with CNOOC Finance on 9 November 2011 (together with the financial service framework agreement dated 1 September 2006, the “**Financial Services Agreement**”), pursuant to which (i) the terms of the financial services framework agreement dated 1 September 2006 remain unchanged, and (ii) the term of the Financial Services Agreement will be extended to commence on 1 January 2012 and expire on 31 December 2014 but may be renewed upon agreement provided that the requirements of the Listing Rules in relation to connected transactions are complied with.

Continuing connected transactions with Hong Kong Kingboard and its Associates

B1. Kingboard Product Sales and Services Agreement

References are made to the Company's announcement dated 5 November 2008 and the circular dated 14 November 2008 in relation to, among other things, the continuing connected transactions of the Company.

The Company entered into a product sales and related services framework agreement with Hong Kong Kingboard on 22 August 2006 (as supplemented by a first supplemental agreement dated 5 November 2008 and will expire on 31 December 2011), pursuant to which the Company agreed to sell products produced by the Group and to provide related services such as transportation services to Hong Kong Kingboard and its Associates.

The Company entered into a second supplemental agreement to the product sales and related services framework agreement with Hong Kong Kingboard on 9 November 2011 (together with the product sales and related services framework agreement dated 22 August 2006, the "**Kingboard Product Sales and Services Agreement**"), pursuant to which (i) the terms of the product sales and related services framework agreement dated 22 August 2006 remain unchanged, and (ii) the term of Kingboard Product Sales and Services Agreement will be extended to commence on 1 January 2012 and expire on 31 December 2014 but may be renewed upon agreement provided that the requirements of the Listing Rules in relation to connected transactions are complied with.

II. HISTORICAL TRANSACTION FIGURES WITH RESPECT TO CONTINUING CONNECTED TRANSACTIONS

Set out below are the historical amounts of each category of the continuing connected transactions for the two previous financial years ended 31 December 2009 and 2010 and the six months ended 30 June 2011.

		<i>Amounts in RMB'000</i>		
Category of continuing connected transactions		Year ended 31 December 2009	Year ended 31 December 2010	Six months ended 30 June 2011
A1.	Leases of properties and land use rights by the Group from the CNOOC Group	5,760	18,083	10,968
A2.	COSL Transportation Agreement: Provision of transportation services by COSL to the Group	5,360	5,097	92,896
A3.	Natural Gas Sale and Purchase Agreements: Purchase of natural gas by the Group from CNOOC China Limited	873,841	1,223,470	975,464
A4(a).	Provision of services and supplies by the CNOOC Group to the Group	167,456	190,303	53,153
A4(b).	Provision of services and supplies by the Group to the CNOOC Group	20,283	30,353	15,612
A4(c).	Sale of products by the Group to the CNOOC Group	18,190	46,321	8,271
A4(d).	Purchase of products from CNOOC Group by DYK Chemical	160	98,707	109,441
A5.	Financial Services Agreement (<i>note</i>)			
A5(a).	Loans granted by CNOOC Finance to the Group	—	80,000	80,000
A5(b).	Deposits placed by the Group with CNOOC Finance	370,098	331,176	409,358
B1.	Kingboard Product Sales and Services Agreement: Sale of products and provision of services by the Group to Hong Kong Kingboard and/or its Associates	253,313	321,975	255,878

Note: The caps under this agreement refer to the maximum daily balance during the year.

III. CAPS OR PROPOSED CAPS IN RELATION TO THE CONTINUING CONNECTED TRANSACTIONS

The table below set out the caps or the Proposed Caps for the continuing connected transactions of the Company:

			<i>Amounts in RMB'000</i>		
Category of continuing connected transactions			Year ending 31 December 2012 (Note 1)	Year ending 31 December 2013 (Note 1)	Year ending 31 December 2014 (Note 1)
A1.	Properties Leasing Agreement: Leases of properties and land use rights by the Group from the CNOOC Group (Note 5)	<i>Caps (Note 2)</i>	29,208	31,715	34,452
A2.	COSL Transportation Agreement: Provision of transportation services by COSL to the Group (Note 6)	<i>Caps (Note 2)</i>	205,800	205,800	205,800
A3.	Natural Gas Sale and Purchase Agreements: Purchase of natural gas by the Group from CNOOC China Limited (Note 7)	<i>Proposed Caps (Note 3)</i>	2,520,000	2,682,960	2,880,494
A4.	Comprehensive Services and Product Sales Agreement: (Note 8)				
A4(a).	Provision of services, supplies and sale of products by the CNOOC Group to the Group (Note 9)	<i>Proposed Caps (Note 3)</i>	806,411	836,568	787,491
A4(b).	Provision of services, supplies and sale of products by the Group to the CNOOC Group (Note 10)	<i>Proposed Caps (Note 3)</i>	426,777	1,177,654	1,315,227
A5.	Financial Services Agreement (Note 11)				
A5(b).	Deposits placed by the Group with CNOOC Finance (Note 12)	<i>Proposed Caps (Notes 3 and 4)</i>	600,000	600,000	600,000
B1.	Kingboard Product Sales and Services Agreement: Sale of products and provision of services by the Group to Hong Kong Kingboard and/or its Associates (Note 13)	<i>Proposed Caps (Note 3)</i>	776,558	797,889	819,470

Notes:

1. In respect of all continuing connected transactions, the Directors have estimated the annual transaction figures for the coming three financial years ending on 31 December 2014 on the following basis:
 - (a) the continuing connected transactions will continue to be entered into on the terms and conditions set out in the relevant agreements (as may be supplemented);
 - (b) the continuing connected transactions will continue to be entered into in the ordinary and usual course of business of the Group and upon normal commercial terms;
 - (c) references have been made to the historical amounts for the two financial years ended 31 December 2010 and the six months ended 30 June 2011 as well as the estimated amounts for the year ending 31 December 2011; and
 - (d) there will not be any material adverse changes to the state of the PRC economy, the business expansion of the Group, the level of prices and demand for the Group's products and the materials and services needed by the Group for its operation.
2. These figures refer to continuing connected transactions which are expected to be exempt from independent shareholders' approval requirements under rule 14A.34(1) of the Listing Rules because the applicable percentage ratios are expected to be kept at below 5%. The caps refer to the maximum annual transaction figures within which each relevant type of transactions will be conducted in the corresponding year. If the actual transaction amount exceeds the cap but is within the threshold of 5% of the applicable percentage ratios, the Company will make an announcement pursuant to Rule 14A.35(3) of the Listing Rules. If the actual transaction amount is expected to exceed the threshold of 5% of the applicable percentage ratios, the Company will seek prior approval of independent shareholders under Rule 14A.35(4) of the Listing Rules.
3. The Proposed Caps are subject to Independent Shareholders' approval at the EGM.
4. These Proposed Caps refer to the maximum daily balance during the relevant period.
5. **A1. Properties Leasing Agreement:** The determination of the increase in annual cap under this category is mainly based on the increases in range and the increments in rental of property leasing.
6. **A2. COSL Transportation Agreement:** The determination of changes in the annual cap under this category is mainly based on the following aspect: Increase in transaction value with COSL arising from a master agreement entered into by the Company, COSL and customers, pursuant to which the Company centralised the receipt of transportation fees payable by the customers as backed by its advantages in local transportation and the customs declaration in Hainan, and made settlement with COSL thereafter according to the amount received, with a view to facilitating the delivery and transportation for the methanol customers and responding to changes in the methanol market in a timely manner.
7. **A3. Natural Gas Sale and Purchase Agreements:** The determination of the increase in annual cap under this category is mainly based on the increase of the theoretical maximum amount of gas consumption and the price of natural gas.
8. **A4. Comprehensive Services and Product Sales Agreement:** In order to facilitate effective internal control of the continuing connected transactions contemplated under the Comprehensive Services and Product Sales Agreement, the Company will divide, so far as practicable, such transactions into two categories, which are (i) the Provision of services, supplies and sale of products by CNOOC Group to the Group, and (ii) the Provision of services, supplies and sale of products by the Group to CNOOC Group.

9. ***A4(a). Comprehensive Services and Product Sales Agreement: Provision of services, supplies and sale of products by the CNOOC Group to the Group:*** The determination of the annual cap under this category is mainly based on the following aspects: (i) expected significant increase from 2012 to 2014 of the Group's demand for the construction services from the CNOOC Group, due to the projects under construction of CNOOC Tianye, Huahe Chemical and Shanxi Hualu Chemical, and (ii) expected increase of the demand for human resources, networking services and maintenance services required by the Group from the CNOOC Group.
10. ***A4(b). Comprehensive Services and Product Sales Agreement: Provision of services, supplies and sale of product by the Group to the CNOOC Group:*** The determination of the increase in annual cap under this category is mainly based on the Company supplying/will supply transportation services, loading and unloading services, materials and products to CNOOC Group for its existing projects and projects under construction which are expected to be completed in 2013.
11. ***A5. Financial Services Agreement:*** As described in the Company's announcement dated 5 November 2008, the Company at that time contemplated that two types of loans would be granted by CNOOC Finance to the Group, namely (1) loans as part of the Group's project financing where security over the Group's assets would be created in favour of CNOOC Finance, and (2) loans to finance the Group's working capital where no security over the assets of the Group would be created in favour of CNOOC Finance, hence independent shareholders' approval had been obtained in respect of the type (1) loan under Category A5(a) at the EGM held on 30 December 2008 (as type (2) loan was fully exempted from reporting, announcement and independent shareholders' approval requirements under Rule 14A.65(4) of the Listing Rules). As no type (1) loan had been obtained since 2009 and the Group does not anticipate that any type (1) loan will be granted by CNOOC Finance to the Group in the future which will require security over the Group's assets created in favour of CNOOC Finance in respect of the loan, all loans granted by CNOOC Finance to the Group (which were previously referred to as the Category A5(a) transactions) now do not require any security over the Group's assets to be given in respect of such loan. Therefore, loans under Category A5(a) constitute financial assistance provided by the CNOOC Group to the Group which will be fully exempted from reporting, announcement and Independent Shareholders' requirements under Rule 14A.65(4) of the Listing Rules. If any loan to be granted by CNOOC Finance to the Group in the future requires any security over the Group's assets to be given in respect of such loan, the Group will duly comply with the Listing Rules and make the relevant disclosures as appropriate.
12. ***A5(b). Financial Services Agreement: Deposits placed by the Group with CNOOC Finance:*** It is expected that the annual maximum daily deposits balances will increase after completion of the projects under construction by the Group.
13. ***B1. Kingboard Product Sales and Services Agreement: Sale of products and provision of services by the Group to Hong Kong Kingboard and/or its Associates:*** The determination of the annual cap under this category is mainly based on the Group's sales plan for methanol and its future selling prices.

IV. REASONS AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

As mentioned in the Prospectus and the announcements dated 5 November 2008, 12 December 2008 and 27 March 2011 and the circulars dated 14 November 2008 and 31 December 2008 published by the Company, the continuing connected transaction agreements (as mentioned in section I above of this announcement) were or will be entered into for the business needs and benefits of the Group. The Company is one of the major subsidiary of CNOOC, which is one of the largest petroleum company in China. In view of the extensive resources and experience of the CNOOC Group, it is desirable for the Group to seek supports and maintain business relationships with the CNOOC Group.

Hong Kong Kingboard is the business partner of the Company with respect to CNOOC Jiantao. It, together with its parent company Kingboard Chemical and its other Associates, also maintains close business relationship with the Group in terms of product sale and purchase. It is beneficial for the Group to enter into commercial arrangements and transactions with Hong Kong Kingboard and its Associates.

The continuing connected transactions of the Group (as mentioned in section I above of this announcement) are or will be entered into in the ordinary and usual course of business of the Group and on normal commercial terms. The Board is of the view that it is in the interests of the Company and the Shareholders as a whole to carry on the continuing connected transactions as those transactions have facilitated and will continue to facilitate the operation of the Group's business. The Directors are of the view that the terms and annual caps of those transactions as described above are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

With respect to the continuing connected transactions that are exempt from independent shareholders' approval requirements under the Listing Rules (Categories A1 and A2 transactions), the Directors (including the independent non-executive Directors) are of the opinion that such transactions have been entered into, and will be carried out, in the ordinary and usual course of the Group's business, on an arm's length basis and on normal commercial terms, and that the terms and the annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

V. ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS WITH ZHEJIANG AMP

Reference is made to the Company's announcements pursuant to 14A.41 of the Listing Rules dated 11 July 2010 in relation to the acquisition of the 21% equity interest in Guangxi Fudao AMP by CNOOC Fudao from Zhejiang AMP. Upon completion of the acquisition, Zhejiang AMP and its Associates became the connected persons to the Company and the continuing transactions with Zhejiang AMP and its Associates became continuing connected transactions of the Company. Reference is also made to the Company's announcement dated 27 March 2011 after completion of the acquisition in relation to the annual caps of 2011 for the continuing connected transactions between the Company and Zhejiang AMP and its Associates.

After 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 2012, 2013 and 2014, the Board expects that the annual caps for the continuing connected transactions with Zhejiang AMP and its Associates in 2012, 2013 and 2014 are (i) RMB209,469,000, RMB238,139,000 and RMB302,436,000, respectively for the sales of products and provision of services by the Group to Zhejiang AMP and its Associates; and (ii) RMB92,400,000, RMB115,500,000 and RMB138,600,000, respectively for the purchase of products and services by the Group from Zhejiang AMP and its Associates.

Pursuant to Rule 14A.41 of the Listing Rules, the continuing connected transactions between Zhejiang AMP and its Associates and the Company 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 and disclosure, and if applicable, independent shareholders' approval requirements under Chapter 14A of the Listing Rules upon any variation or renewal of the framework agreement between Zhejiang AMP and the Company.

VI. INFORMATION OF THE PARTIES

Information on the Group

The Group's current core business is the production and sale of fertilisers (mainly urea and phosphate fertilisers) and chemical products (primarily methanol and POM).

Information on CNOOC and its Associates

CNOOC is the controlling shareholder of the Company and is one of largest state-owned oil companies in the PRC specializing in exploration of oil and gas in the PRC with its headquarter in Beijing. It is the largest offshore oil and gas producer in the PRC. Since its establishment, it has sustained continuous developments and had advanced from a company engaging only in exploitation of oil and gas to an integrated conglomerate with prominent main business and a complete production chain including upstream petroleum businesses (such as exploration, development, production and sales of oil and gas), downstream petroleum businesses (such as refining, petrochemicals, use of natural gas, power generation, the manufacturing and sale of fertilisers and chemicals), financial services, logistic service and new energies development.

CNOOC Limited is a subsidiary of CNOOC. CNOOC Limited and its subsidiaries mainly engage in exploration, development, production and sales of offshore oil and natural gas.

COSL is a subsidiary of CNOOC and principally engages in the oilfield service activities including geophysical services, drilling services, well services, marine support and transportation services.

CNOOC Finance is a subsidiary of CNOOC and a non-bank financial institution with the approval of the PBOC. It is subject to the supervision of the China Banking Regulatory Commission. It has been providing financial services to members of the CNOOC Group (including the Company) as an intra-group service provider.

Information on Hong Kong Kingboard and its Associate

Hong Kong Kingboard is a company incorporated in Hong Kong with limited liability and a subsidiary of Kingboard Chemical. The principal activities of Hong Kong Kingboard is investment holding.

Kingboard Chemical is a company incorporated in Cayman Islands with limited liability and the controlling shareholder of Hong Kong Kingboard. The principal activities of Kingboard Chemical and its subsidiaries are the manufacturing of laminates, copper foil, glass fabric, glass yam, bleached kraft paper, printed circuit boards, chemicals, liquid crystal displays and magnetic products.

Information on Zhejiang AMP

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

VII. LISTING RULES IMPLICATIONS

CNOOC and its Associates

CNOOC is the controlling shareholder of the Company. Therefore, CNOOC and its Associates (other than the Group) are the Company's connected persons under Rule 14A.11(1) of the Listing Rules.

CNOOC Limited is a subsidiary of CNOOC and CNOOC China Limited is a wholly-owned subsidiary of CNOOC Limited. Both CNOOC Limited and CNOOC China Limited are Associates of CNOOC pursuant to Rule 19A.04 of the Listing Rules and therefore connected persons of the Company under Rule 14A.11(4) of the Listing Rules.

COSL is a subsidiary of CNOOC and, therefore, an Associate of CNOOC under Rule 19A.04 of the Listing Rules. COSL is the Company's connected person pursuant to Rule 14A.11(4) of the Listing Rules.

CNOOC Finance is a subsidiary of CNOOC and, therefore, an Associate of CNOOC under Rule 19A.04 of the Listing Rules. It is also the Company's connected person pursuant to Rule 14A.11(4) of the Listing Rules.

Hong Kong Kingboard and its Associates

CNOOC Jiantao is held as to 60% by the Company and as to 40% by Hong Kong Kingboard. Hong Kong Kingboard is a substantial shareholder of CNOOC Jiantao, one of the Company's subsidiaries, and therefore it and its Associates (including Kingboard Chemical and its subsidiaries) are connected persons of the Company according to Rules 1.01 and 14A.11(1) of the Listing Rules.

As some of the applicable size test percentage ratios for the continuing connected transactions contemplated under the (i) Natural Gas Sale and Purchase Agreements, (ii) Comprehensive Services and Product Sales Agreement, (iii) Financial Services Agreement in respect of Category A5(b) transactions and (iv) Kingboard Product Sales and Services Agreement are more than 5%, such continuing connected transactions are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Directors are of the view that such continuing connected transactions are entered into in the ordinary and usual course of business of the Group, and are on normal commercial terms and their respective annual caps are fair and reasonable, and are in the interest of the Company and its Shareholders as a whole.

As some of the applicable size test percentage ratios for the continuing connected transactions contemplated under the (i) Properties Leasing Agreements and (ii) COSL Transportation Agreement are more than 0.1% but less than 5%, such continuing connected transactions are subject to reporting, announcement requirements but exempted from Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Directors are of the view that such continuing connected transactions are entered into in the ordinary and usual course of business of the Group, and are on normal commercial terms and their respective annual caps are fair and reasonable, and are in the interest of the Company and its Shareholders as a whole.

As the applicable size test percentage ratios for the continuing connected transactions contemplated under Category A5(c) under Financial Services Agreement, that is, bank notes discounting services (Category A5(c1)), arrangement of entrustment loans

(Category A5(c2)) and settlement services (Category A5(c3)) is less than 0.1%, such continuing connected transactions are accordingly qualified under Rule 14A.33(3) of the Listing Rules as de minimis transactions and are exempted from reporting, announcement and independent shareholders' approval.

As Mr. Li Hui is the vice president of CNOOC, he may be regarded as having a material interest in the continuing connected transactions between the Company and CNOOC and its Associates. As such, Mr. Li Hui has abstained from voting at the Board meeting on the resolutions approving or agreeing to submit to Independent Shareholders for approval (i) the Properties Leasing Agreement, the COSL Transportation Agreement, the Comprehensive Services and Product Sales Agreement and the Financial Services Agreement and their respective annual caps or Proposed caps contemplated thereunder, and (ii) the Proposed Caps under the Natural Gas Sale and Purchase Agreement. Also, as Mr. Tsui Yiu Wa, Alec is both an independent non-executive director of the Company and an independent non-executive director of COSL, Mr. Tsui Yiu Wa, Alec may be regarded as having a material interest in the continuing connected transactions contemplated under the COSL Transportation Agreement and as such, he has abstained from voting at the Board meeting on the resolution approving the COSL Transportation Agreement and the respective annual caps contemplated thereunder.

Zhejiang AMP and its Associates

Guangxi Fudao AMP is held as to 51% by CNOOC Fudao and as to 49% by Zhejiang AMP. Zhejiang AMP is a substantial shareholder of Guangxi Fudao AMP, a subsidiary of the Company, and therefore, Zhejiang AMP and its Associates are connected persons of the Company according to Rules 1.01 and 14A.11(1) of the Listing Rules.

EGM

The Company will convene an EGM to obtain the approval of Independent Shareholders for, among other things:

- (1) the Proposed Caps for 2012 to 2014 for the continuing connected transactions contemplated under the Natural Gas Sale and Purchase Agreement entered into between the Company and CNOOC China Limited;
- (2) the entering into of the Comprehensive Services and Product Sales Agreement between the Company and CNOOC and the Proposed Caps for 2012 to 2014 contemplated thereunder;
- (3) the entering into of the supplemental agreement of the Financial Services Agreement between the Company and CNOOC Finance and the Proposed Caps for 2012 to 2014 in respect of the deposit transactions with CNOOC Finance contemplated thereunder; and
- (4) the entering into of the supplemental agreement of the Kingboard Product Sales and Services Agreement between the Company and Hong Kong Kingboard and the Proposed Caps for 2012 to 2014 contemplated thereunder.

At the EGM, CNOOC and its Associates will abstain from voting with respect to continuing connected transactions with the CNOOC Group and Hong Kong Kingboard and its Associates will abstain from voting with respect to continuing connected transactions with Hong Kong Kingboard and its Associates.

For the purpose of the EGM, the Board has established the Independent Board Committee to consider and advise the Independent Shareholders with respect to (1) the agreement or supplemental agreements (where applicable) in relation to (i) the Comprehensive Services and Product Sales Agreement with respect to transactions under Categories A4(a) and A4(b), (ii) the Financial Services Agreement with respect to transactions under Category A5(b), and (iii) the Kingboard Product Sales and Services Agreement with respect to transactions under Category B1, and (2) the Proposed Caps for each relevant type of continuing connected transactions under Categories A3, A4(a), A4(b), A5(b) and B1. The Company has also appointed the Independent Financial Adviser to advise the Independent Board Committee on those aspects of the continuing connected transactions.

A circular containing, among other things, details relating to the continuing connected transactions, the recommendation of the Independent Board Committee, the advice of the Independent Financial Adviser and a notice of the EGM will be despatched by the Company to the Shareholders on or before 15 November 2011.

Upon approval of the continuing connected transactions which require Independent Shareholders' approval, the Company will comply with the requirements specified under Rules 14A.35(1), 14A.35(2), 14A.37 to 14A.40 of the Listing Rules in respect of the conduct of such continuing connected transactions.

DEFINITIONS

In this announcement, the following words and expressions shall, unless the context otherwise requires, have the following respective meanings:

“Associate(s)”	has the meaning ascribed to it 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 state-owned company established in China 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 Finance”	中海石油財務有限責任公司 (CNOOC Finance Corporation Limited*), a company established in China, is a subsidiary of CNOOC
“CNOOC Fudao”	海洋石油富島有限公司 (CNOOC Fudao Limited*), a company established in the PRC, is currently a wholly-owned subsidiary of the Company
“CNOOC Group”	CNOOC and its Associates presented as a group, excluding the Group
“CNOOC Jiantao”	中海石油建滔化工有限公司 (CNOOC Kingboard Chemical Limited*), the equity interest of which is owned as to 60% by the Company and 40% by Hong Kong Kingboard
“CNOOC Limited”	CNOOC Limited (中國海洋石油有限公司), a company listed on the Stock Exchange and the New York Stock Exchange and a subsidiary of CNOOC, and, except where the context otherwise requires, its subsidiaries

“CNOOC Tianye”	中海石油天野化工股份有限公司 (CNOOC Tianye Chemical Limited*), a company established in China which is a subsidiary of the Company
“Company”	中海石油化學股份有限公司 (China BlueChemical Ltd.*), a company incorporated in the PRC and a subsidiary of CNOOC, the H shares of which are listed on the Stock Exchange
“continuing connected transactions”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“COSL”	China Oilfield Services Limited (中海油田服務股份有限公司), a company listed on the Stock Exchange and the Shanghai Stock Exchange and a subsidiary of CNOOC, and, except where context otherwise requires, its subsidiaries
“Director(s)”	director(s) 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 and a subsidiary of the Company
“EGM”	the extraordinary general meeting of the Company proposed to be convened for the Independent Shareholders to consider and, if thought fit, approve the agreements or supplemental agreements (where applicable) in relation to certain continuing connected transactions and the Proposed Caps, and any adjournment thereof
“Group”	the Company and its subsidiaries from time to time
“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 a subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Kingboard”	Kingboard Investments Limited (建滔投資有限公司), a Hong Kong incorporated subsidiary of Kingboard Chemical, which holds 40% equity interest in CNOOC Jiantao
“Huahe Chemical”	鶴崗市華鶴煤化股份有限公司 (Hegang Huahe Coal Chemical Ltd.*), a company incorporated in the PRC with limited liability and a subsidiary of the Company
“Independent Board Committee”	an independent committee of the Board comprising Mr. Tsui Yiu Wa, Alec, Mr. Zhang Xinzhi and Mr. Gu Zongqin, the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in respect of the agreements or supplemental agreements (where applicable) in relation to certain continuing connected transactions and the Proposed Caps

“Independent Financial Adviser” or “CIMB”	CIMB Securities (HK) Limited, a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the agreements or supplemental agreements (where applicable) in relation to certain continuing connected transactions and the Proposed Caps
“Independent Shareholders”	Shareholders other than those who have interest in the relevant continuing connected transactions
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Kingboard Chemical”	Kingboard Chemical Holdings Limited, a company listed on the Stock Exchange
“PBOC”	People’s Bank of China, being the central bank of the PRC
“PRC” or “China”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau and Taiwan
“Prospectus”	the Hong Kong prospectus of the Company dated 18 September 2006
“Proposed Cap(s)”	the proposed maximum annual aggregate value(s) or the annual maximum daily deposits balance(s) for each type of the continuing connected transactions of the Company not being exempt from independent shareholders’ approval requirements under the Listing Rules in respect of 2012 to 2014
“RMB”	Renminbi, the lawful currency of the PRC
“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 and a subsidiary of the Company
“Shareholder(s)”	shareholder(s) of the Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhejiang AMP”	浙江農資集團有限公司 (Zhejiang AMP Incorporation*), one of the Company’s five promoters
“%”	per cent

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

Beijing, the PRC
9 November 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. Li Hui, and the independent non-executive Directors are Mr. Tsui Yiu Wa, Alec, Mr. Zhang Xinzhi and Mr. Gu Zongqin.

* *For identification purpose only.*