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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

The Company announces that it has been informed by CNOOC Gas Pipelining on 22 March 2012 that pursuant to the Reorganisation, Hainan Haikong, an independent third party, will be absorbed and merged into CNOOC Gas Pipelining and will be deregistered upon completion of the Reorganisation. In connection with the Reorganisation, it was proposed that the natural gas business of Hainan Haikong would be assumed by CNOOC Ranhua, a wholly-owned subsidiary of CNOOC Gas Pipelining.

Prior to the Reorganisation, the Group has been conducting the Transactions contemplated under the Natural Gas Sale and Purchase Agreement with Hainan Haikong. In contemplation of the completion of the Reorganisation, CNOOC Ranhua, CNOOC Gas Pipelining and Hainan Haikong have requested CNOOC Fudao, and CNOOC Fudao confirmed on 28 March 2012 that the obligations and duties of Hainan Haikong under the Natural Gas Sale and Purchase Agreement would be assumed by CNOOC Ranhua with effect from the same date. Therefore, with effect from 28 March 2012, the Transactions will continue to be conducted between CNOOC Fudao and CNOOC Ranhua on a regular and continuing basis until the expiration of the Natural Gas Sale and Purchase Agreement.

CNOOC Gas & Power, a wholly-owned subsidiary of CNOOC, is a connected person of the Company. CNOOC Ranhua is a wholly-owned subsidiary of CNOOC Gas Pipelining, which is a non-wholly-owned subsidiary of CNOOC Gas & Power, and therefore an associate of CNOOC Gas & Power. Therefore, CNOOC Ranhua is also a connected person of the Company. With effect from 28 March 2012, the Transactions will constitute continuing connected transactions of the Company.

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 Natural Gas Sale and Purchase Agreement.

INTRODUCTION

The Company announces that it has been informed by CNOOC Gas Pipelining on 22 March 2012 that pursuant to the Reorganisation, Hainan Haikong, an independent third party, will be absorbed and merged into CNOOC Gas Pipelining and will be deregistered upon completion of the Reorganisation. In connection with the Reorganisation, it was proposed that the natural gas business of Hainan Haikong would be assumed by CNOOC Ranhua, a wholly-owned subsidiary of CNOOC Gas Pipelining.

Prior to the Reorganisation, the Group has been conducting the Transactions contemplated under the Natural Gas Sale and Purchase Agreement with Hainan Haikong. In contemplation of the completion of the Reorganisation, CNOOC Ranhua, CNOOC Gas Pipelining and Hainan Haikong have requested CNOOC Fudao, and CNOOC Fudao confirmed on 28 March 2012 that the obligations and duties of Hainan Haikong under the Natural Gas Sale and Purchase Agreement would be assumed by CNOOC Ranhua with effect from the same date. Therefore, with effect from 28 March 2012, the Transactions will continue to be conducted between CNOOC Fudao and CNOOC Ranhua on a regular and continuing basis, which are in the ordinary and usual course of business of the Group, until the expiration of the Natural Gas Sale and Purchase Agreement.

NATURAL GAS SALE AND PURCHASE AGREEMENT

Prior to the Reorganisation, the Group has conducted the Transactions contemplated under the Natural Gas Sale and Purchase Agreement with Hainan Haikong. With effect from 28 March 2012, the Group will continue to conduct the Transactions contemplated under the Natural Gas Sale and Purchase Agreement with CNOOC Ranhua.

Date

26 April 1996

Parties

- (1) FCCH (the predecessor of Hainan Haikong), as vendor; and
- (2) Hainan Fudao (the predecessor of CNOOC Fudao), as purchaser

Term

20 years. The term of Natural Gas Sale and Purchase Agreement will expire in 2016.

Continuing Connected Transactions

With effect from 28 March 2012, pursuant to the Natural Gas Sale and Purchase Agreement, CNOOC Ranhua is committed to supply CNOOC Fudao with natural gas as feedstock required for part of the Company's production in Hainan on a take-or-pay basis. Under the take-or-pay arrangement in the Natural Gas Sale and Purchase Agreement, CNOOC Ranhua is obliged to supply and CNOOC Fudao is obliged to purchase a minimum quantity of natural gas each year.

Pricing Mechanism

Under the Natural Gas Sale and Purchase Agreement, the prices at which natural gas is supplied to our production facilities in Hainan are determined by the following mechanism:

- (a) the prices are subject to upward or downward adjustments on a quarterly basis; and
- (b) the applicable quarterly price is determined by reference to the prevailing crude oil price quoted by Platts Crude Oil Marketwire (the crude oil prices are the West Texas Intermediate crude oil price, Dubai crude oil price, Brent crude oil price and Minas crude oil price).

Reasons for and Benefits of the Transactions

The Natural Gas Sale and Purchase Agreement was entered into by the Company to secure stable and reliable supply of natural gas for the Company's production in Hainan.

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 Natural Gas Sale and Purchase 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 CNOOC RANHUA

The core business of CNOOC Ranhua is the pipeline delivery of and the purchase and sale of natural gas.

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 comprise mainly methanol and POM.

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

LISTING RULES IMPLICATIONS

CNOOC is the controlling shareholder of the Company and is a connected person of the Company pursuant to Chapter 14 of the Listing Rules. CNOOC Gas & Power, a wholly-owned subsidiary of CNOOC, is also a connected person of the Company. CNOOC Ranhua is a wholly-owned subsidiary of CNOOC Gas Pipelining, which is a non-wholly-owned subsidiary of CNOOC Gas & Power, and therefore an associate of CNOOC Gas & Power. Therefore, CNOOC Ranhua is also a connected person of the Company.

Prior to the Reorganisation, the Group has conducted the Transactions contemplated under the Natural Gas Sale and Purchase Agreement with Hainan Haikong. 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 with effect from 28 March 2012, where the obligations and duties of Hainan Haikong under the Natural Gas Sale and Purchase Agreement would be assumed by CNOOC Ranhua. Therefore, the Transactions will constitute continuing connected transactions of the Company with effect from 28 March 2012.

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 Natural Gas Sale and Purchase Agreement.

DEFINITIONS

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

“associate”	has the same 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 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;
“CNOOC Gas Pipelining”	中海石油管道輸氣有限公司 (CNOOC Gas Pipelining Limited*), a company incorporated in the PRC and a non-wholly-owned subsidiary of CNOOC Gas and Power;
“CNOOC Gas & Power”	中海石油氣電集團有限責任公司 (CNOOC Gas & Power Group), a company incorporated in the PRC and a wholly-owned subsidiary of CNOOC;
“CNOOC Ranhua”	中海油管道燃料化學(海南)有限公司 (CNOOC Pipelining Fuel & Chemical (Hainan) Limited*), a company established in the PRC and a wholly-owned subsidiary of CNOOC Gas Pipelining;
“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 of Hong Kong Limited;
“connected person”	has the same meaning ascribed thereto under the Listing Rules;
“connected transaction”	has the same meaning ascribed thereto under the Listing Rules;
“Director(s)”	the directors of the Company;
“FCCH”	海南省燃料化學總公司 (Fuel & Chemical Corporation of Hainan*), the predecessor of Hainan Haikong;
“Group”	the Company and its subsidiaries;

“Hainan Fudao”	海南富島化學工業公司 (Hainan Fudao Chemical Industry Corporation*), the predecessor of CNOOC Fudao;
“Hainan Haikong”	海南海控燃料化學股份有限公司 (Hainan Haikong Fuel & Chemical Co., Ltd.*), a company incorporated in the PRC;
“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);
“Natural Gas Sale and Purchase Agreement”	the natural gas sale and purchase agreement entered into on 26 April 1996 between FCCH and Hainan Fudao;
“PRC”	the People’s Republic of China;
“Reorganisation”	the reorganisation between CNOOC Gas Pipelining and Hainan Haikong pursuant to which Hainan Haikong, an independent third party, will be absorbed and merged into CNOOC Gas Pipelining and will be deregistered upon completion of the Reorganisation;
“Transactions”	the transactions contemplated under the Natural Gas Sale and Purchase Agreement; and
“%”	per cent.

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

Beijing, the PRC

28 March 2012

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

* *For identification purpose only.*