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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)

ANNOUNCEMENT

CONNECTED TRANSACTION

FINANCE LEASE ARRANGEMENT

FINANCE LEASE AGREEMENT

On 22 September 2014, DYK Chemical entered into the Finance Lease Agreement with CNOOC Leasing, pursuant to which, DYK Chemical has agreed to sell the lease assets (consisting of three production facilities including the phosphoric acid, the sulfuric acid and the common utilities of its DAP Phase II plant) with a net book value of RMB630,474,096.54 (equivalent to approximately HK\$794,819,000) to CNOOC Leasing at the transfer consideration which is in the US dollar amount of the net book value of the lease assets (approximately US\$102,541,000, the actual amount of which shall be calculated according to the Agreed Exchange Rate). Subsequently, the three production facilities mentioned above will be leased to DYK Chemical with a lease period of one year and eighty-eight days. Upon the expiry of the term of the Finance Lease Agreement, DYK Chemical is entitled to buy back the three production facilities mentioned above at a price of US\$1.00 in accordance with the Finance Lease Agreement.

Pursuant to the Finance Lease Agreement, the lease rent is estimated to be approximately US\$104,515,000 (equivalent to approximately HK\$810,123,000), which consists of the principal amount of approximately US\$102,541,000, and the lease interest which is estimated to be approximately US\$1,974,000, based on the observation that the maximum difference in value between the highest and the lowest three-month US\$ Libor for the past 15 months is approximately 0.1%. The lease rent will be paid in five instalments. In addition, DYK Chemical shall pay a commission fee of approximately US\$2,051,000 (equivalent to approximately HK\$15,896,000) to CNOOC Leasing.

LISTING RULES IMPLICATIONS

As DYK Chemical is a subsidiary of the Company and CNOOC Leasing is a wholly owned subsidiary of CNOOC, the controlling shareholder of the Company, CNOOC Leasing is a connected person of the Company under Chapter 14A Listing Rules. The transaction contemplated under the Finance Lease Agreement constitutes a connected transaction of the Company.

As the highest applicable percentage ratio applied in accordance with Rule 14.07 of the Listing Rules in respect of the transaction exceeds 1% but is less than 5%, the transaction is only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

1. FINANCE LEASE AGREEMENT

On 22 September 2014, DYK Chemical entered into the Finance Lease Agreement with CNOOC Leasing, pursuant to which, DYK Chemical has agreed to sell the lease assets (consisting of the three production facilities including the phosphoric acid, the sulfuric acid and the common utilities of its DAP Phase II plant) with a net book value of RMB630,474,096.54 (equivalent to approximately HK\$794,819,000) to CNOOC Leasing at the transfer consideration which is in the US dollar amount of the net book value of the lease assets (approximately US\$102,541,000, the actual amount of which shall be calculated according to the Agreed Exchange Rate). Subsequently, the three production facilities mentioned above will be leased to DYK Chemical with a lease period of one year and eighty-eight days. Upon the expiry of the term of the Finance Lease Agreement, DYK Chemical is entitled to buy back the three production facilities mentioned above at a price of US\$1.00 in accordance with the Finance Lease Agreement.

Parties

Lessor: CNOOC Leasing

Lessee: DYK Chemical

Lease Assets

The lease assets comprise three production facilities, including the phosphoric acid, the sulfuric acid and the common utilities at DAP Phase II plant of DYK Chemical. As of September 2014, the net book value of the lease assets is RMB630,474,096.54 (equivalent to approximately HK\$794,819,000).

Transfer Consideration

The transfer consideration is in the US dollar amount of the net book value of the lease assets of RMB630,474,096.54 (approximately US\$102,541,000, the actual amount of which shall be calculated according to the Agreed Exchange Rate).

Lease Period

The lease period is one year and eighty-eight days since the commencement day, and the commencement day of the lease is the date on which the transfer consideration is fully paid by CNOOC Leasing and the lease rent starts to accrue.

Lease Rent and Commission Fee

Lease Rent

The lease rent consists of the principal amount and lease interest. The principal amount is equal to the amount of the transfer consideration (approximately US\$102,541,000, the actual amount of which shall be calculated according to the Agreed Exchange Rate). The

lease rent shall be paid in US\$, or in RMB as converted from the lease rent as denominated in US\$ according to the average of the buying and selling rates of US\$ to RMB as announced by BOC at 10:00 a.m. on the payment day subject to the agreement of both parties.

Commission Fee

The commission fee is equivalent to 2% of the transfer consideration at an amount of approximately US\$2,051,000 (equivalent to approximately HK\$15,896,000). DYK Chemical shall make such one-off payment to CNOOC Leasing on the commencement day in RMB according to the average of the buying and selling rates of US\$ to RMB as announced by BOC at 11:30 a.m. on the commencement day.

The lease rent and commission fee were determined after arm's length negotiation between DYK Chemical and CNOOC Leasing.

Payment

The lease rent will be paid by DYK Chemical in five instalments during the lease period as listed below. The first instalment shall be paid on the 88th day after the commencement day and since the second instalment, the payment day of each instalment shall be the same date in the third month after the payment of the preceding instalment.

First Instalment	Second Instalment	Third Instalment	Fourth Instalment	Fifth Instalment
10% of the principal plus lease interest for the period	10% of the principal plus lease interest for the period	10% of the principal plus lease interest for the period	35% of the principal plus lease interest for the period	35% of the principal plus lease interest for the period

Lease Interest

Lease interest comprises fixed lease interest and floating lease interest, and the calculation formula is set out below:

Fixed lease interest = residual principal times two percent times lease days for the period divided by 365

Residual principal = principal amount minus aggregated paid principal amount as of the last installment

Floating lease interest = residual principal times floating interest rate for the period times lease days for the period divided by 365

Floating interest rate = the three-month US\$ Libor on the date one business day prior to the payment day of the last instalment minus the three-month US\$ Libor on the date one business day prior to the commencement day

The floating interest rate for the first instalment is nil.

The total lease interest under the Finance Lease Agreement is estimated to be approximately US\$1,974,000 (equivalent to approximately HK\$15,304,000), based on the observation that the maximum difference in value between the highest and the lowest three-month US\$ Libor for the past 15 months is approximately 0.1%.

Ownership and Purchase Option

Titles of the lease assets shall vest in CNOOC Leasing throughout the lease period.

Upon the expiry of the term of the Finance Lease Agreement and under the condition that DYK Chemical has paid up the lease rent and the commission fee under the Finance Lease Agreement, DYK Chemical is entitled to purchase the lease assets from CNOOC Leasing at a price of US\$1.00 (equivalent to approximately HK\$7.75).

2. REASONS FOR AND BENEFITS OF ENTERING INTO THE FINANCE LEASE AGREEMENT

The entering into of the Finance Lease Agreement will expand the financing channels of the DYK Chemical and lower its financing cost.

3. LISTING RULES IMPLICATIONS

As DYK Chemical is a subsidiary of the Company and CNOOC Leasing is a wholly owned subsidiary of CNOOC, the controlling shareholder of the Company, CNOOC Leasing is a connected person of the Company under Chapter 14A Listing Rules. the transaction contemplated under the Finance Lease Agreement constitutes a connected transaction of the Company. As the highest applicable percentage ratio applied in accordance with Rule 14.07 of the Listing Rules in respect of the transaction exceeds 1% but is less than 5%, the transaction is only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

Due to their positions in CNOOC, Mr. Li Hui, Mr. Zhou Dechun and Mr. Zhu Lei have all abstained from voting on the Board resolutions approving the Finance Lease Agreement. Save as disclosed above, none of the Directors has any material interest under the Finance Lease Agreement.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Finance Lease Agreement are on normal commercial terms and are fair and reasonable and are also in the interest of the Company and its Shareholders as a whole.

4. EXCHANGE RATES

Unless otherwise specified, for exchange rates throughout this announcement, amounts denominated in US\$ have been converted based on the rate of US\$1.00: RMB6.1485 (for the purpose of illustration only), being the median foreign exchange rate published by the PBOC on 22 September 2014; amounts denominated in RMB have been converted based on the rate of HK\$1.00: RMB0.79323 (for the purpose of illustration only), being the median foreign exchange rate published by the PBOC on 22 September 2014.

5. INFORMATION OF THE PARTIES

The Company

The Company is mainly engaged in the production and sales of fertilisers (primarily urea, phosphate fertilisers and compound fertiliser) and chemical products (primarily methanol and POM).

DYK Chemical

DYK Chemical, a subsidiary of the Company, is mainly engaged in the production and sales of MAP, DAP and compound fertiliser.

CNOOC Leasing

CNOOC Leasing is a wholly owned subsidiary of CNOOC. CNOOC Leasing mainly engages in finance leasing and leasing, purchasing leasing assets from vendors abroad, salvage value disposal and maintenance of the leasing assets, lease transaction consultation and guarantee.

DEFINITIONS

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

“Agreed Exchange Rate”	the buying rate of US\$ to RMB as announced by BOC at 11:30 a.m. on the commencement day plus 100 base points
“BOC”	Bank of China Limited
“Board”	the board of directors of the Company
“Company”	China BlueChemical Ltd.* (中海石油化學股份有限公司), a company established in the PRC and the H shares of which are listed on the Main Board of the Stock Exchange
“CNOOC”	China National Offshore Oil Corporation* (中國海洋石油總公司), a 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 Leasing”	CNOOC International Financial Leasing Limited* (中海油國際融資租賃有限公司), a company incorporated in the PRC with limited liability and a wholly owned subsidiary of CNOOC
“DYK Chemical”	Hubei Dayukou Chemical Co., Ltd.* (湖北大峪口化工有限責任公司), a company incorporated in the PRC in which the Company holds 83.97% equity interests as at the date of this announcement
“Directors”	the director(s) of the Company
“Finance Lease Agreement”	the Finance Lease Agreement dated 22 September 2014 between CNOOC Leasing and DYK Chemical in respect of the transaction
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Libor”	London Interbank Offered Rate

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PBOC”	the People’s Bank of China
“PRC”	the People’s Republic of China and for the purpose of this announcement, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	U.S. dollar, the lawful currency of the United States

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

Beijing, the PRC

22 September 2014

As at the date of this announcement, the executive Director is Mr. Yang Yexin, the non-executive Directors are Mr. Li Hui, Mr. Zhou Dechun and Mr. Zhu Lei and the independent non-executive Directors are Mr. Gu Zongqin, Ms. Lee Kit Ying and Mr. Lee Kwan Hung.

* *For identification purpose only*