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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  
PROPOSED ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS  
AND  
CONTINUING CONNECTED TRANSACTION AND DISCLOSABLE  
TRANSACTION IN RELATION TO THE FINANCE LEASE AGREEMENT**

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

Certain continuing connected transactions of the Group are required to be conducted with its connected persons in the ordinary and usual course of business of the Group, 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 Group and their respective annual caps will expire on 31 December 2014, the Group proposes to (i) enter into new agreements in respect of the above-mentioned continuing connected transactions, and (ii) set the annual caps for 2015 to 2017 for certain types of continuing connected transactions.

**CONTINUING CONNECTED TRANSACTION AND DISCLOSABLE TRANSACTION  
IN RELATION TO THE FINANCE LEASE AGREEMENT**

The Group proposes to enter into the Finance Lease Agreement with CNOOC Leasing due to business requirement. Given that one or more of the applicable percentage ratios in respect of the Proposed Caps for the transactions contemplated under the Finance Lease Agreement are more than 5% but less than 25%, the transactions contemplated thereunder also constitute disclosable transactions to the Company under Chapter 14 of the Listing Rules and is therefore subject to announcement requirement under Chapter 14 of the Listing Rules.

## EGM

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

- (1) the Dongfang 1-1 Gasfield Phase I Adjusted Project Natural Gas Sale and Purchase Framework Agreement entered into among the Company, CNOOC Fudao and CNOOC China Limited;
- (2) the Proposed Caps for 2015 to 2017 for the continuing connected transactions contemplated under the Natural Gas Sale and Purchase Agreements entered into between the Group and CNOOC China Limited;
- (3) the Comprehensive Services and Product Sales Agreement entered into between the Company and CNOOC and the Proposed Caps for 2015 to 2017 for the provision of services, supplies and sales of products by the Group to CNOOC Group contemplated thereunder; and
- (4) the Finance Lease Agreement entered into between the Company and CNOOC Leasing and the Proposed Caps for 2015 to 2017 for the finance leasing services between the Group and CNOOC Leasing contemplated thereunder.

A circular containing, among other things, details relating to the Non-exempted 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 around 7 November 2014.

## I. CONTINUING CONNECTED TRANSACTIONS

Certain continuing connected transactions of the Group are required to be conducted with its connected persons in the ordinary and usual course of business of the Group, 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 Group and their respective annual caps will expire on 31 December 2014, the Group proposes to (1) enter into new agreements in respect of the above-mentioned continuing connected transactions, and (2) set the annual caps for 2015 to 2017 for certain types of continuing connected transactions.

A summary of the above-mentioned continuing connected transactions is set out below.

### **Continuing connected transactions with CNOOC and its associates**

#### ***Properties Leasing Agreement***

The Group is required to lease certain properties from CNOOC Group as well as lease certain properties to CNOOC Group in the ordinary and usual course of its business. On 28 October 2014, the Company entered into the Properties Leasing Agreement with CNOOC on normal commercial terms, pursuant to which: (1) CNOOC Group may

provide properties leasing services and relevant property management services (if needed) to the Group; (2) the Group may provide properties leasing services and relevant property management services (if needed) to CNOOC Group.

The term of the Properties Leasing Agreement will commence on 1 January 2015 and expire on 31 December 2017, 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 Properties Leasing Agreement are being conducted on normal commercial terms and conditions which shall not be less favorable than those offered to third parties and priced in accordance with the following principles:

the property rent and management fees for each leased property shall be determined by both parties by taking into account factors including locations of the properties, the state of the properties and the property management service scope;

1. As to provision of properties leasing services and relevant property management services by CNOOC Group to the Group:

*(1) property rent*

- i. shall not be higher than the property rent payable by other third party lessees of other properties owned by CNOOC Group or other owners (if any) in the same building; and
- ii. shall not be higher than the property rent for the same or similar types of properties in the same area or the adjacent areas.

*(2) property management fees*

- i. shall not be higher than the standard property management fees approved by the state pricing regulatory authorities (if any);
- ii. shall not be higher than the property management fees payable by other third party lessees of other properties owned by CNOOC Group or other owners (if any) in the same building; and
- iii. shall not be higher than the property management fees for the same or similar types of properties in the same area or the adjacent areas.

2. As to the provision of properties leasing services and relevant property management services by the Group to CNOOC Group:

*(1) property rent*

- i. shall not be lower than the property rent payable by other third party lessees of other properties owned by the Group or other owners (if any) in the same building; and
- ii. shall not be lower than the property rent for the same or similar types of properties in the same area or the adjacent areas.

*(2) property management fees*

- i. shall not be lower than the standard property management fees approved by the state pricing regulatory authorities (if any);
- ii. shall not be lower than the property management fees payable by other third party lessees of other properties owned by the Group or other owners (if any) in the same building; and
- iii. shall not be lower than the property management fees for the same or similar types of properties in the same area or the adjacent areas.

The Group may, from time to time when the situation requires, enter into specific agreements which will set out the specific scope of services, terms and conditions of providing such services according to the principles laid down by the Properties Leasing Agreement.

***Natural Gas Sale and Purchase Agreements***

*1. Existing natural gas sale and purchase agreements*

We refer to the Prospectus of the Company, the announcements of the Company dated 5 November 2008, 9 November 2011 and 28 March 2012 and the circular of the Company dated 14 November 2008, 31 December 2008 and 15 November 2011 in relation to, among other things, the continuing connected transactions of the Company.

The Group entered into three natural gas sale and purchase agreements with CNOOC China Limited, the summary of which are listed as follows:

- (1) Dongfang 1-1 Offshore Gasfield Natural Gas Sale and Purchase Agreement between the Company and CNOOC China Limited dated 28 July 2003, under which CNOOC China Limited has committed to supply natural gas to the Company for Fudao Phase II Urea Plant at prices that are subject to adjustments on a quarterly basis by reference to the prices of Four Major Types of Crude Oil quoted on Platts Crude Oil Marketwire during the preceding quarter. The natural gas delivery period under this agreement is 20 years, commencing 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 Jiantao and CNOOC China Limited dated 10 March 2005, under which CNOOC China Limited has committed to supply natural gas to CNOOC Jiantao for Hainan Phase I Methanol Plant at prices that are subject to adjustments on a monthly basis by reference to the prices of Four Major Types of Crude Oil quoted on Platts Crude Oil Marketwire during the preceding month. The natural gas delivery period under this agreement is 20 years, commencing on 16 October 2006 and will expire on 15 October 2026.
- (3) Natural Gas Sale and Purchase Framework Agreement between the Company and CNOOC China Limited on 1 September 2006, under which CNOOC China Limited has committed to supply natural gas for the Company's future plants. This agreement does not include the transactions conducted under the two pre-existing agreements mentioned above. Under this framework agreement,

CNOOC China Limited will sell natural gas to the Company and/or the Company's subsidiaries at a price which is determined on a fair and reasonable basis (including by reference to the prices of Four Major Types of Crude Oil quoted on Platts Crude Oil Marketwire) and in accordance with normal commercial customs. The term of the agreement is of 20 years commencing on the date of the agreement. CNOOC China Limited and the Company or the Company's relevant subsidiaries will enter into separate agreements which will set out the specific terms and conditions for natural gas sales and purchases according to the principles laid down by this framework agreement.

On 26 March 2010, the Company and CNOOC China Limited entered into the Ledong Natural Gasfield Natural Gas Sale and Purchase Agreement pursuant to which CNOOC China Limited has agreed to supply natural gas to the Company for Hainan Phase II Methanol Plant at prices of natural gas that are subject to adjustments on a quarterly basis by reference to the prices of Four Major Types of Crude Oil quoted on Platts Crude Oil Marketwire during the preceding quarter. The natural gas delivery period under this agreement is 15 years, commencing on 1 January 2011 and will expire on 31 December 2025.

In addition to the above-mentioned three long-term natural gas sale and purchase agreements, as mentioned in the announcement of the Company dated 28 March 2012, as a result of the Reorganization, CNOOC Ranhua assumed a natural gas sale and purchase agreement dated 26 April 1996 entered into between Hainan Haikong and CNOOC Fudao pursuant to which CNOOC Ranhua has agreed to continue to supply natural gas to the Company for Fudao Phase I Urea Plant. The prices of natural gas are subject to adjustments on a quarterly basis by reference to the prices of Four Major Types of Crude Oil quoted on Platts Crude Oil Marketwire during the preceding quarter. The natural gas stable delivery period under this agreement will expire in 2016. As the transactions hereunder were transaction conducted with an independent third party when the Company entered into the transactions and the transactions subsequently became continuing connected transactions of the Company as a result of the Reorganization in 2012, the transactions are only subject to the reporting, annual review and disclosure requirements of Chapter 14A of the Listing Rules pursuant to Rule 14A.60 of the Listing Rules. Consequently, no annual cap is required to be set for the transactions contemplated under this natural gas sale and purchase agreement.

In order to ensure that the price of the natural gas is determined on a fair and reasonable basis and in accordance with the pricing principles, the Company has adopted the following procedures when determining the price of the natural gas to be supplied to its production facilities in Hainan:

- (a) the designated department of the Group would monitor and obtain the prevailing average prices of the Four Major Types Of Crude Oil quoted on Platts Crude Oil Marketwire on a quarterly basis in the case of Fudao Phase I Urea Plant, Fudao Phase II Urea Plant and Hainan Phase II Methanol Plant, and on a monthly basis in the case of Hainan Phase I Methanol Plant;

- (b) based on the average prices of the Four Major Types Of Crude Oil quoted on Platts Crude Oil Marketwire obtained, the designated department would calculate the natural gas price for the preceding quarter or month (as the case may be) in accordance with the pricing principles as set out in the relevant natural gas sale and purchase agreement;
- (c) the designated department would then submit the natural gas price so determined to senior management of the Company for approval upon which the Company would make payment to CNOOC China Limited and CNOOC Ranhua in accordance with the terms and conditions as set out in the relevant natural gas sale and purchase agreements.

All the four natural gas sale and purchase agreements mentioned above will not expire this year, and their terms remain unchanged. As such, the Company will not seek the Independent Shareholders' approval of the agreements.

2. *Dongfang 1-1 Gasfield Phase I Adjusted Project Natural Gas Sale and Purchase Framework Agreement*

In anticipation of the expiry of the natural gas stable delivery period under the natural gas sale and purchase agreement between Hainan Haikong and CNOOC Fudao as mentioned above and in order to secure stable and reliable supply of natural gas for Fudao Phase I Urea Plant, the Company, CNOOC Fudao and CNOOC China Limited finalized and signed the Dongfang 1-1 Gasfield Phase I Adjusted Project Natural Gas Sale and Purchase Framework Agreement on 28 October 2014 pursuant to which CNOOC China Limited has agreed to supply to the Group with natural gas as feedstock required mainly for Fudao Phase I Urea Plant. The natural gas delivery period under this framework agreement is nine years commencing on 1 August 2015.

The transactions under the Dongfang 1-1 Gasfield Phase I Adjusted Project Natural Gas Sale and Purchase Framework Agreement will be conducted on normal commercial terms and conditions which shall not be less favourable than those offered to independent third parties, and will be priced in accordance with a benchmark price which is determined with reference to the exploration, development and production cost of the gasfield plus reasonable profit in principle. The parties will negotiate for the adjustment of the benchmark price in August each year taking into consideration of the factors such as change of the pricing policy by the state pricing regulatory authorities, prices of domestic energy markets, domestic prices for natural gas and change in CPIs.

The Company and the Company's relevant subsidiaries will enter into a separate natural gas sale and purchase agreement with CNOOC China Limited according to the principles laid down by this framework agreement before 30 June 2015.

The Dongfang 1-1 Gasfield Phase I Adjusted Project Natural Gas Sale and Purchase Framework Agreement will be submitted to the Independent Shareholders for their approval at the EGM.

## *Comprehensive Services and Product Sales Agreement*

On 28 October 2014, the Company entered into the Comprehensive Services and Product Sales Agreement with CNOOC, pursuant to which:

- (a) the Group has agreed to provide to CNOOC Group services and supplies (including but not limited to provision of offices and facilities, labour services, technical training services, project management services, logistics management/services, accommodation/catering services, port management, logistics assistance and transportation services);
- (b) CNOOC Group has agreed to provide services and supplies to the Group (including but not limited to engineering services, telecommunication and network services, construction services, management system/technology development services, equipment leasing, equipment maintenance, project management services, labour services, materials/equipment procurement services, transportation services, technical training services, catering, accommodation, medical, insurance services, conference services, consultancy services and logistics management services); and
- (c) the Group has agreed to sell products (urea, phosphate fertiliser, methanol, potash, Polyoxymethylene, ammonia *etc.*) to CNOOC Group and CNOOC Group has agreed to sell products (potash, medicament *etc.*) to the Group.

The term of the Comprehensive Services and Product Sales Agreement will commence on 1 January 2015 and will expire on 31 December 2017, but may be renewed upon agreement provided that the requirements of the Listing Rules in relation to connected transactions are complied with.

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 the Group to CNOOC Group and (ii) the provision of services, supplies and sale of products by CNOOC Group to the Group. As the highest applicable percentage ratio for the category (ii) transactions (with respect to provision of services, supplies and products by CNOOC Group to the Group) does not exceed 5%, these transactions (including the annual caps contemplated thereunder) are only subject to reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

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 will be priced in accordance with the following pricing principles:

1. As to the provision of services and supplies by the Group to CNOOC Group, to be priced in accordance with the following principles:
  - (i) not lower than the prices charged by the Group to comparable independent third parties for the same type of services or supplies; or
  - (ii) with reference to the prices for the same type of services or supplies in the same areas charged on normal terms in the ordinary and usual course of its business by comparable independent third party service or supplies providers; or

- (iii) with reference to the prices for the same type of services or supplies in the adjacent areas charged on normal terms in the ordinary and usual course of its business by comparable independent third party service or supplies providers.
2. As to the provision of services and supplies by CNOOC Group to the Group:
- (1) Engineering Services:
    - i. at government-prescribed prices:

The “government-prescribed price” refers to the price determined by pricing regulatory authorities or other relevant authorities in accordance with its authorisation under the *Price Law of the PRC*. Currently, the government-prescribed prices applied to this agreement include, *Notice of NDRC and MOC in relation to the Provisions on Administration of Charging on Engineering Surveying and Design (Ji Jia Ge [2002] No.10)* (《國家計委、建設部關於發佈〈工程勘察設計收費管理規定〉的通知》(計價格[2002]10號)) and *Notice of NDRC and MOC in relation to the Provisions on Administration of Charging on Engineering Project Supervision and Relevant Services (Fa Gai Jia Ge [2007] No.670)* (《國家發展改革委、建設部關於印發〈建設工程監理與相關服務收費管理規定〉的通知》(發改價格[2007]670號)).

- ii. where there is not a government-prescribed price, to be priced in accordance with the following principles:
  - (i) not higher than the lower of the prices charged by CNOOC Group to its associates (excluding the Group) or comparable independent third parties (if any) for the same type of services or supplies;
  - (ii) with reference to the prices for the same type of services and supplies in the same areas charged on normal terms in the ordinary and usual course of its business by comparable independent third party service or supplies providers; or
  - (iii) with reference to the prices for the same type of service and supplies in the adjacent areas charged on normal terms in the ordinary and usual course of its business by comparable independent third party service or supplies providers.

- (2) Telecommunication and Network Services, Construction Services, Management System/Technology Development Services, Equipment Leasing, Equipment Maintenance, Project Management Services, Labour Services, Materials/Equipment Procurement Services, Transportation Services, Technical Training Services, Catering, Accommodation, Medical, Insurance Services, Conference Services, Consultancy Services and Logistics Management Services:

The above-mentioned services and supplies shall be priced in accordance with the following principles:

- i. not higher than the lower of the prices charged by CNOOC Group to its associates (excluding the Group) or comparable independent third parties (if any) for the same type of services or supplies;
  - ii. with reference to the prices for the same type of services and supplies in the same areas charged on normal terms in the ordinary and usual course of its business by comparable independent third party service or supplies providers; or
  - iii. with reference to the prices for the same type of services and supplies in the adjacent areas charged on normal terms in the ordinary and usual course of its business by comparable independent third party service or supplies providers.
3. As to the sale of products by the Group to CNOOC Group, to be priced in accordance with the following principles:
- (1) not lower than the prices charged by the Group to comparable independent third parties for the same type of products;
  - (2) with reference to the prices for the same type of products charged on normal terms in the ordinary and usual course of its business by comparable independent third party sellers in the same areas; or
  - (3) with reference to the prices for the same type of products charged on normal terms in the ordinary and usual course of its business by comparable independent third party sellers in the adjacent areas.
4. As to the sale of products by CNOOC Group to the Group, to be priced in accordance with the following principles:
- (1) not higher than the lower of the prices charged by CNOOC Group to its associates (excluding the Group) or comparable independent third parties (if any) for the same type of products;
  - (2) with reference to the prices for the same type of products charged on normal terms in the ordinary and usual course of its business by comparable independent third party sellers in the same areas; or
  - (3) with reference to the prices for the same type of products charged on normal terms in the ordinary and usual course of its business by comparable independent third party sellers in the adjacent areas.

Nevertheless, for the above-mentioned services, supplies and products without applicable government-prescribed price for now, when relevant government authorities publish a government-prescribed price in relation to the transactions contemplated under the Comprehensive Services and Product Sales Agreement during the term of the Comprehensive Services and Product Sales Agreement, the relevant prices shall be adjusted with reference to government-prescribed price accordingly.

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

### ***Financial Services Agreement***

The Group utilizes from time to time financial services provided by CNOOC Finance and, therefore, entered into the Financial Services Agreement with CNOOC Finance on 28 October 2014, pursuant to which CNOOC Finance will provide to the Group a range of financial services that the Group may require, including the following:

- (1) provision of financing services to the Group, including but not limited to loans;
- (2) deposit services;
- (3) bank notes acceptance and discounting services;
- (4) arrangement of entrustment loans between the Company and its subsidiaries or among its subsidiaries;
- (5) settlement services which include settlement for transactions between the Company and its subsidiaries and for transactions between the Group and CNOOC Group;
- (6) other financial services permitted by the CBRC to the members of the Group.

The term of the Financial Services Agreement will commence on 1 January 2015 and expire on 31 December 2017 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 Financial Services Agreement will be conducted on normal commercial terms and conditions and will be priced in accordance with the following principles:

- (1) provision of loans to the Company: the interest rates for such loans are determined in accordance with the loan benchmark interest rates promulgated by the PBOC from time to time, and shall not be less favorable to the Group than those provided by independent third party financial institutions;
- (2) deposit services: the interest rates for such deposits are determined in accordance with the deposit benchmark interest rates promulgated by the PBOC from time to time, and shall not be less favorable to the Group than those provided by independent third party financial institutions;

- (3) bank notes discounting acceptance and services: the interest for bank notes discounting is borne by the relevant parties presenting the notes (not by the Group); the interest rates for discounting services are determined in accordance with the standard rates promulgated by the PBOC from time to time less discounts set out in the specific agreements and shall not be less favorable to the Group than those provided by independent third party financial institutions;
- (4) arrangement of entrustment loans: the annual service fees are to be calculated based on the outstanding principal of the loans, and the aggregate amount of service fees and loan interest together shall not exceed the interest for securing a loan of the same term directly from independent third party financial institutions; and if there are standard rates promulgated by the PBOC or other competent regulatory authorities, the service fees shall be determined with reference to the standard rates promulgated by the PBOC or other competent regulatory authorities and shall not be less favorable to the Group than those provided by independent third party financial institutions;
- (5) settlement services: no service fee will be charged; and
- (6) other financial services: service fees shall be determined with reference to the relevant standard charging rate promulgated by the PBOC or other competent regulatory authorities, and shall not be less favorable to the Group than those provided by independent third party financial institutions.

Pursuant to the Financial Service Agreement entered into between the Company and CNOOC Finance, the Company shall be entitled to have a unilateral right of set-off such that, in the event of any misuse or default by CNOOC Finance in respect of amounts deposited with it by the Group, the Group will be able to offset the amount due to the Group from CNOOC Finance against the amount outstanding from the Group to CNOOC Finance. CNOOC Finance shall not be entitled to have any such offset right.

#### ***Finance Lease Agreement***

On 28 October 2014, the Company entered into the Finance Lease Agreement with CNOOC Leasing, pursuant to which:

- (a) CNOOC Leasing agrees to provide finance lease services to the Group when the Group so requires, by means including but not limited to (1) the Group selling its production facility/equipment to CNOOC Leasing, leasing them back from CNOOC Leasing for its own use and repurchasing them at the end of the lease period; or (2) CNOOC Leasing purchasing production facility/equipment in accordance with the Group's choice of the suppliers and the facility/equipment, leasing them to the Group for its use and selling them to the Group at the end of the lease period; and
- (b) the Group agrees to pay lease rent (principal plus lease interest) and commission fees to CNOOC Leasing for provision of the finance lease service.

The term of the Finance Lease Agreement will commence on 1 January 2015 and expire on 31 December 2017, but may be renewed upon agreement provided that the requirements of the Listing Rules in relation to connected transactions are complied with.

The transactions contemplated under the Finance Lease Agreement will be conducted on normal commercial terms and conditions which shall not be less favourable than those provided to other third parties by CNOOC Leasing, and the consolidated rate of lease interest plus commission fees during the lease period shall not be higher than the available loan interest rate provided by the PRC commercial banks for the corresponding period.

The Group may, from time to time when the situation requires, enter into separate agreements which will set out the specific terms and conditions of obtaining such finance lease services according to the principles laid down by the Finance Lease Agreement.

### **Continuing connected transactions with Hong Kong Kingboard and its associates**

#### *Kingboard Product Sales and Services Agreement*

The Company entered into the Kingboard Product Sales and Services Agreement with Hong Kong Kingboard on 28 October 2014, 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 term of Kingboard Product Sales and Services Agreement will commence on 1 January 2015 and expire on 31 December 2017 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 Kingboard Product Sales and Services Agreement will be conducted on normal commercial terms and conditions which shall not be less favorable than those offered to third parties and priced in accordance with the following principles:

- (i) not lower than the prices charged by the Group to comparable independent third parties for sales or provision of the same type of products or services;
- (ii) with reference to the prices for the same type of products or services sold or provided in the same areas charged on normal terms in the ordinary and usual course of its business by comparable independent third parties; or
- (iii) with reference to the prices for the same type of products or services sold or provided in the adjacent areas charged on normal terms in the ordinary and usual course of its business by comparable independent third parties.

Nevertheless, when relevant government authorities publish a government-prescribed price in relation to the transactions contemplated under Kingboard Product Sales and Services Agreement during the term of the Kingboard Product Sales and Services Agreement, the relevant prices shall be adjusted with reference to government-prescribed price accordingly.

Hong Kong Kingboard (and/or its associates) and the Group may, from time to time when the situation requires, enter into separate agreements which will set out the specific products and scope of services, terms and conditions of selling products or providing services according to the principles laid down by the Kingboard Product Sales and Services Agreement.

## II. HISTORICAL TRANSACTION FIGURES AND THE PROPOSED ANNUAL CAPS WITH RESPECT TO CONTINUING CONNECTED TRANSACTIONS

Set out below are the historical amounts of each of the continuing connected transactions of the Group for the two previous financial years ended 31 December 2012 and 2013 and the six months ended 30 June 2014 and the approved annual caps for the three years ending 31 December 2014:

Category of the Continuing Connected Transactions	Year ended 31 December 2012		Year ended 31 December 2013		Six months ended 30 June 2014	Year ended 31 December 2014
	Actual amount	Approved cap	Actual amount	Approved cap	Actual amount	Approved cap
	<i>Amounts in RMB'000</i>					
Properties Leasing Agreement: Lease of properties by the Group from CNOOC Group	27,195	29,208	28,157	31,715	12,979	34,452
Natural Gas Sale and Purchase Agreements: Purchase of natural gas by the Group from CNOOC China Limited	1,906,659	2,520,000	1,899,936	2,682,960	983,698	2,880,494
Comprehensive Services and Product Sales Agreement:						
Provision of services, supplies and sale of products by CNOOC Group to the Group	282,338	806,411	286,506	836,568	30,461	787,491
Provision of services, supplies and sale of products by the Group to CNOOC Group	262,549	426,777	221,438	1,177,654	118,612	1,315,227
Financial Services Agreement (Note 1)						
Deposits placed by the Group with CNOOC Finance	599,634	600,000	599,297	600,000	575,260	600,000
Kingboard Product Sales and Services Agreement: Sale of products and provision of services by the Group to Hong Kong Kingboard and/or its associates	439,528	776,558	482,928	797,889	223,808	819,470
Finance Lease Agreement: Provision of finance leasing services by CNOOC Leasing to the Group (Note 2)	—	—	—	—	—	—

Notes:

- The annual caps under this agreement refer to the maximum daily balance during the year.

2. On 22 September 2014, DYK Chemical entered into a finance lease agreement with CNOOC Leasing in respect of a one-off finance lease transaction between both parties. For detailed information, please refer to the announcement of the Company dated 22 September 2014.

The table below set out the proposed annual caps for the continuing connected transactions of the Group:

Category of the Continuing Connected Transactions		Year ending	Year ending	Year ending
		31 December 2015	31 December 2016	31 December 2017
		(Note 1)	(Note 1)	(Note 1)
		Amounts in RMB'000		
Properties Leasing Agreement: Lease of properties by the Group from CNOOC Group (Note 5)	Caps (Note 2)	29,877	29,877	29,942
Natural Gas Sale and Purchase Agreements: Purchase of natural gas by the Group from CNOOC China Limited (Note 6)	Proposed Caps (Note 3)	2,488,145	3,160,629	3,379,107
Comprehensive Services and Product Sales Agreement: (Note 7)				
Provision of services, supplies and sale of products by CNOOC Group to the Group (Note 8)	Caps (Note 2)	221,691	226,555	243,390
Provision of services, supplies and sale of products by the Group to CNOOC Group (Note 9)	Proposed Caps (Note 3)	1,793,372	2,138,701	2,481,607
Financial Services Agreement (Note 10)				
Deposits placed by the Group with CNOOC Finance (Note 11)	Caps (Note 2 and 4)	500,000	500,000	500,000
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 12)	Caps (Note 2)	596,201	624,015	655,179
Finance Lease Agreement: Provision of finance leasing services by CNOOC Leasing to the Group (Note 13)	Proposed Caps (Note 3)	2,424,200	2,424,200	2,424,200

Notes:

1. In respect of all continuing connected transactions of the Group, the Directors have estimated the annual transaction figures for the coming three financial years ending on 31 December 2017 on the following basis:
  - (a) the continuing connected transactions continuing to be entered into on the terms and conditions set out in the relevant agreements;
  - (b) the continuing connected transactions continuing to be entered into in the ordinary and usual course of business of the Group and upon normal commercial terms;

- (c) reference being made to the historical amounts for the two financial years ended 31 December 2013 and the six months ended 30 June 2014; and
  - (d) no 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.73(1) of the Listing Rules because the applicable percentage ratios are expected to be kept 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.54 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.54 of the Listing Rules.
  3. The Proposed Caps are subject to Independent Shareholders' approval at the EGM.
  4. These Caps refer to the maximum daily balance during the relevant period.
  5. **Properties Leasing Agreement:** The determination of the increase in annual cap is mainly based on the increments in rental of property leasing.
  6. **Natural Gas Sale and Purchase Agreements:** The determination of the annual cap is mainly based on: (1) the price of natural gas to be supplied for Hainan Plants; (2) the theoretical maximum amount of gas consumption based on the highest possible operation days of each production plant of the Company in Hainan; and (3) natural gas consumption to be supplied to Fudao Phase I Urea Plant etc. under the Dongfang 1-1 Gasfield Phase I Adjusted Project Natural Gas Sale and Purchase Framework Agreement.
  7. **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.
  8. **Comprehensive Services and Product Sales Agreement: Provision of services, supplies and sale of products by CNOOC Group to the Group:** The determination of the annual cap is mainly based on the following aspects: (i) expected increase from 2015 to 2017 of Huahe Chemical's demand for the services, suppliers and products from CNOOC Group, due to its planned commencement of production at the end of 2014; and (ii) expected change of the demand for products and services required by the Group from CNOOC Group due to future market changes and production and operation needs.
  9. **Comprehensive Services and Product Sales Agreement: Provision of services, supplies and sale of products by the Group to CNOOC Group:** The determination of the increase in annual cap is mainly based on (1) the estimate on the increase of volume and unit price of methanol, ammonia and other products to CNOOC Group by the Group; (2) the estimate on the increase of volume of port loading and offloading services to be provide by the Group to CNOOC Group and (3) commencement of new trading business.
  10. **Financial Services Agreement:** In view of PBOC's liquidity regulation policies over domestic banks in the PRC, it is very important for the Group to be able to secure timely and sufficient financings from CNOOC Finance. There are two types of loans granted by CNOOC Finance to the Group: (1) loans where security over the Group's assets is required to be created in favour of CNOOC Finance and (2) loans where no security over the assets of the Group is required to be created in favour of CNOOC Finance. As no type (1) loan had been obtained since 2012 and the Group does not anticipate that any type (1) loan will be granted by CNOOC Finance to the Group in the future, all loans granted by

CNOOC Finance to the Group (which were previously referred to as the transactions in respect of the provision of loans to the Company) now do not require any security over the Group's assets. Therefore, these transaction contemplated thereunder constitute financial assistance provided by CNOOC Group to the Group which will be fully exempt from reporting, announcement and Independent Shareholders' requirements under Rule 14A.90 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.

11. ***Financial Services Agreement: Deposits placed by the Group with CNOOC Finance:*** The determination of the annual cap is mainly based on the business development plan of the Company.
12. ***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 is mainly based on the Group's sales plan for methanol and the estimate on its future selling prices.
13. ***Finance Lease Agreement: Provision of finance lease by CNOOC Leasing to the Group:*** The determination of the annual cap, being the annual cap on the aggregate principal amount outstanding plus lease interest and commission fees under the financial leases, is mainly based on potential demand for finance lease services by the Group from CNOOC Leasing for its daily operation and development.

### **III. MEASURES TO ENSURE COMPLIANCE WITH THE LISTING RULES**

The Company has established comprehensive internal control system and adopted various internal control rules, including connected transaction management measures and procurement and tender administration measures, to ensure that the continuing connected transactions are conducted in accordance with the executed agreements. Before entering into a specific connected transaction agreement, the designated department of the Group will review and assess whether the rates and terms set out in the specific agreement are consistent with the executed framework agreement to ensure that the interests of the Shareholders as a whole are taken into account and protected. The Company has set up the Audit & Supervising Department to monitor and assess the operation of the internal control management system of the Company and report to the audit committee of the Board and the Board in connection to the status of the internal control of the Company (including the implementation status of connected transactions) regularly. The audit committee of the Board and the Supervisory Committee of the Company will also regularly conduct assessment on the internal control system of the Company and its subsidiaries in order to ensure the effectiveness of the internal control system of the Group, including internal control measures in respect of connected transactions management. Furthermore, the audit committee of the Board convenes meetings twice a year to discuss and assess the implementation of connected transactions. In addition, the Company's external auditors shall conduct an interim review and a year-end audit on the Company's internal control measures, including connected transactions.

### **IV. REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS**

The Company is one of the major subsidiaries of CNOOC which is one of the largest petroleum companies in China. In view of the extensive resources and experience of CNOOC Group, it is desirable for the Group to seek supports and maintain business relationships with CNOOC Group, and the transactions contemplated thereunder will

secure stable and reliable supply of raw material and services for the Company's production and expand the financing channels of the Company and lower its financing cost.

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 are or will be entered into in the ordinary and usual course of business of the Group and on normal commercial terms. The Directors are of the view that they are in the interests of the Company and the Shareholders as a whole to carry out 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 Group 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, 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 Group and the Shareholders as a whole.

## **V. INFORMATION OF THE PARTIES**

### **Information on the Group**

The Group mainly engages in the developments, production and sales of fertilisers (including urea, phosphate and compound fertiliser) and chemical products (primarily methanol and Polyoxymethylene).

### **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 headquarters 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) and financial services.

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

CNOOC China Limited is a subsidiary of CNOOC Limited and principally engages in exploration, development, production and sales of offshore petroleum in the PRC.

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 CBRC. It has been providing financial services to members of CNOOC Group (including the Group) as an intra-group service provider.

CNOOC Leasing is a wholly-owned subsidiary of CNOOC and principally 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.

### **Information on Hong Kong Kingboard and its associates**

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.

## **VI. 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.07 of the Listing Rules. Given CNOOC Limited, CNOOC Finance and CNOOC Leasing are all subsidiaries of CNOOC and CNOOC China Limited is a wholly-owned subsidiary of CNOOC Limited, all of them are associates of CNOOC and therefore shall be deemed as connected persons of the Company under Rule 14A.07 of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Proposed Caps of the Non-exempted Continuing Connected Transactions exceed 5%, these Non-exempted Continuing Connected Transactions are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Meanwhile, as one or more of the applicable percentage ratios in respect of the Proposed Caps for the transactions contemplated under the Finance Lease Agreement are more than 5% but less than 25%, the transactions contemplated thereunder also constitute disclosable transactions to the Company under Chapter 14 of the Listing Rules and is therefore subject to announcement requirement under Chapter 14 of the Listing Rules.

As one or more of the applicable percentage ratios for the transactions contemplated under (i) the Properties Leasing Agreement (with respect to the lease of properties and provision of property management services by CNOOC Group to the Group); (ii) the Comprehensive Services and Product Sales Agreement (with respect to provision of services, supplies and products by CNOOC Group to the Group); and (iii) the Financial

Services Agreement (with respect to deposits placed by the Group with CNOOC Finance) are more than 0.1% but less than 5%, these transactions are subject to reporting and announcement requirements but shall be exempt from the circular, independent financial adviser and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (i) for the transaction in respect of the bank notes acceptance and discounting services, arrangement of entrustment loans between the Company and its subsidiaries or among its subsidiaries, settlement services and other financial services contemplated under the Financial Services Agreement and (ii) the lease of properties and provision of property management services by the Group to CNOOC Group contemplated under the Properties Leasing Agreement are less than 0.1%, these transactions are accordingly qualified under Rule 14A.76 of the Listing Rules as *de minimis* transactions and are exempt from reporting, announcement and Independent Shareholders' approval requirements.

### **Hong Kong Kingboard and its associates**

The Company and Hong Kong Kingboard holds 60% and 40% equity interests of CNOOC Jiantao, respectively. Thus, Hong Kong Kingboard is a substantial shareholder of CNOOC Jiantao, a subsidiary of the Company. Therefore, Hong Kong Kingboard and its associates (including Kingboard Chemical and its subsidiaries) are connected persons of the Company at the subsidiary level under Chapter 14A of the Listing Rules.

Given that Hong Kong Kingboard and its associates are connected persons of the Company at the subsidiary level and the Board has approved the transactions contemplated, despite that one or more of the applicable percentage ratios for the transactions contemplated under the Kingboard Product Sales and Services Agreement exceed 5%, such transactions are only subject to reporting and announcement requirements and are exempt from the circular, independent financial adviser and Independent Shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules. The independent non-executive Directors have confirmed that the terms of the transactions contemplated thereunder are fair and reasonable; the transaction is on normal commercial terms or better and in the interest of the Company and its Shareholders as a whole.

## **VII. VOTING AT THE BOARD MEETING AND THE EGM**

Due to their positions in CNOOC, Mr. Li Hui, Mr. Zhou Dechun and Mr. Zhu Lei have all abstained from voting at the Board meeting on the resolutions approving or agreeing to submit to Independent Shareholders for approval of (i) the Properties Leasing Agreement, the Comprehensive Services and Product Sales Agreement, the Financial Services Agreement and the Finance Lease Agreement and their respective annual caps or Proposed Caps contemplated thereunder, (ii) the Dongfang 1-1 Gasfield Phase I Adjusted Project Natural Gas Sale and Purchase Framework Agreement and (iii) the Proposed Caps under the Natural Gas Sale and Purchase Agreements.

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

- (1) the Dongfang 1-1 Gasfield Phase I Adjusted Project Natural Gas Sale and Purchase Framework Agreement entered into among the Company, CNOOC Fudao and CNOOC China Limited;
- (2) the Proposed Caps for 2015 to 2017 for the transactions contemplated under the Natural Gas Sale and Purchase Agreements entered into between the Group and CNOOC China Limited;
- (3) the Comprehensive Services and Product Sales Agreement entered into between the Company and CNOOC and the Proposed Caps for 2015 to 2017 for the provision of services, supplies and sales of products by the Group to CNOOC Group contemplated thereunder; and
- (4) the Finance Lease Agreement entered into between the Company and CNOOC Leasing and the Proposed Caps for 2015 to 2017 for the finance leasing services between the Group and CNOOC Leasing contemplated thereunder.

At the EGM, CNOOC and its associates will abstain from voting with respect to the Non-exempted Continuing Connected Transactions. The relevant resolutions to be proposed at the EGM will be voted by poll in compliance with the Listing Rules.

For the purpose of the EGM, the Board has established the Independent Board Committee (comprising Ms. Lee Kit Ying, Mr. Gu Zongqin and Mr. Lee Kwan Hung, all of whom are independent non-executive Directors) to consider and advise the Independent Shareholders with respect to (1) the Dongfang 1-1 Gasfield Phase I Adjusted Project Natural Gas Sale and Purchase Framework Agreement, the Comprehensive Services and Product Sales Agreement and the Finance Lease Agreement, and (2) the 2015–2017 proposed annual cap for the continuing connected transactions contemplated under the Natural Gas Sale and Purchase Agreements, the 2015–2017 proposed annual cap for the provision of services, supplies and sales of products by the Group to CNOOC Group contemplated under the Comprehensive Services and Product Sales Agreement and the 2015–2017 proposed annual cap for the finance leasing services between the Group and CNOOC Leasing contemplated under the Finance Lease Agreement. The Company has also appointed Halcyon Capital as the Independent Financial Adviser to advise the Independent Board Committee in this regard. Details of the relevant advice and recommendation of Halcyon Capital, together with the principal factors and reasons taken into account by it in arriving at its advice and recommendation will be published in the circular to be dispatched on or around 7 November 2014 in accordance with the Listing Rules.

Upon approval of the agreements in connection with certain continuing connected transactions and the Proposed Caps by the Independent Shareholders, the Company will comply with the requirements specified under Chapter 14A of the Listing Rules in respect of the conduct of the Non-exempted Continuing Connected Transactions.

## VIII. DESPATCH OF CIRCULAR

The Company will despatch a circular in accordance with requirements under the Listing Rules, which will contain, among other things,

- a) details on certain continuing connected transactions (including the Proposed Caps);
- b) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders;
- c) a letter from the Independent Board Committee to the Independent Shareholders; and
- d) a notice of the EGM.

The circular is subject to review by the Stock Exchange. The Company expects that the circular will be despatched on or around 7 November 2014 in accordance with the Listing Rules. The Shareholders and potential investors should refer to this circular for further information.

## DEFINITIONS

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

“Board”	the board of Directors
“CBRC”	中國銀行業監督管理委員會 (China Banking Regulatory Commission)
“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
“CNOOC China Limited”	中海石油(中國)有限公司 (CNOOC China Limited*), a company established in China and a wholly-owned subsidiary of CNOOC Limited
“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 & 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 Group”	CNOOC and its associates, excluding the Group

“CNOOC Jiantao”	中海石油建滔化工有限公司 (CNOOC Kingboard Chemical Limited*), a company established in China and the equity interest of which is owned as to 60% by the Company and 40% by Kingboard Investments Limited
“CNOOC Leasing”	中海油國際融資租賃有限公司 (CNOOC International Financial Leasing Limited*), a company incorporated in the PRC with limited liability and a wholly owned subsidiary of CNOOC
“CNOOC Limited”	中國海洋石油有限公司 (CNOOC Limited*), a company listed on the Stock Exchange (Stock Code: 0883) and the New York Stock Exchange (Stock Code: CEO) and a 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 incorporated in the PRC and a subsidiary of CNOOC, the H shares of which are listed on the Stock Exchange
“Comprehensive Services and Product Sales Agreement”	the comprehensive services and product sales and purchase framework agreement dated 28 October 2014 entered into between the Company and CNOOC
“CPI”	Consumer Price Index
“Director(s)”	director(s) of the Company
“Dongfang 1-1 Gasfield Phase I Adjusted Project Natural Gas Sale and Purchase Framework Agreement”	the Dongfang 1-1 Gasfield Phase I Adjusted Project Natural Gas Sale and Purchase Framework Agreement finalized and signed on 28 October 2014 among the Company, CNOOC Fudao and CNOOC China Limited
“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 to be held at 10:00 a.m. on Monday, 29 December 2014 at the Meeting Room, 3rd Floor, Kaikang CNOOC Mansion, No. 15, Sanqu, Anzhenxili, Chaoyang District, Beijing, the PRC to be convened, among other things, for the Independent Shareholders to consider and, if thought fit, approve the agreements in relation to certain continuing connected transactions and the Proposed Caps, and any adjournment thereof
“Finance Lease Agreement”	the finance lease framework agreement dated 28 October 2014 entered into between the Company and CNOOC Leasing

“Financial Services Agreement”	the financial services framework agreement dated 28 October 2014 entered into between the Company and CNOOC Finance
“Four Major Types Of Crude Oil”	the four types of crude oil referred to in Dongfang 1-1 Offshore Gasfield Natural Gas Sale and Purchase Agreement, Natural Gas Sale and Purchase Framework Agreement and Ledong Natural Gasfields Natural Gas Sale and Purchase Agreement entered into between the Company and CNOOC China Limited and Dongfang 1-1 Offshore Gasfield Natural Gas Sale and Purchase Agreement entered into between CNOOC China Limited and CNOOC Jiantao mean West Texas Intermediate Crude Oil (西德克薩斯中質原油), Tapis Crude Oil (塔皮斯原油), Brent Crude Oil (混合布倫特原油) and Minas Crude Oil (米納斯原油); the four types of crude oil referred to in the natural gas sale and purchase agreement between CNOOC Ranhua and CNOOC Fudao mean West Texas Intermediate Crude Oil (西德克薩斯中質原油), Dubai Crude Oil (迪拜原油), Brent Crude Oil (混合布倫特原油) and Minas Crude Oil (米納斯原油)
“Fudao Phase I Urea Plant”	the Company’s urea plant with a 520,000-tonne annual capacity in Hainan
“Fudao Phase II Urea Plant”	the Company’s urea plant with a 800,000-tonne annual capacity in Hainan
“Group”	the Company and its subsidiaries from time to time
“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
“Hainan Phase I Methanol Plant”	the Company’s methanol plant with a 600,000-tonne annual capacity in Hainan
“Hainan Phase II Methanol Plant”	the Company’s methanol plant with a 800,000-tonne annual capacity in Hainan
“Hainan Plants”	Fudao Phase I Urea Plant, Fudao Phase II Urea Plant, Hainan Phase I Methanol Plant and Hainan Phase II Methanol Plant
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Kingboard”	建滔投資有限公司 (Kingboard Investments Limited*), a Hong Kong incorporated subsidiary of Kingboard Chemical, which holds 40% equity interest in CNOOC Jiantao
“Huahe Chemical”	中海石油華鶴煤化有限公司 (CNOOC Huahe Coal Chemical Ltd.*), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Independent Board Committee”	an independent committee of the Board comprising Ms. Lee Kit Ying, Mr. Gu Zongqin and Mr. Lee Kwan Hung, the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in respect of the agreements in relation to certain continuing connected transactions and the Proposed Caps

“Independent Financial Adviser” or “Halcyon Capital”	Halcyon Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity as defined under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the agreements in relation to certain continuing connected transactions and the Proposed Caps
“Independent Shareholders”	Shareholders other than those who have interest in the relevant Non-exempted Continuing Connected Transactions
“Kingboard Chemical”	Kingboard Chemical Holdings Limited, a company listed on the Stock Exchange (stock code: 0148)
“Kingboard Product Sales and Services Agreement”	the product sales and purchase and related services framework agreement dated 28 October 2014 entered into between the Company and Hong Kong Kingboard
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“MOC”	建設部 (Ministry of Construction), now 住房和城鄉建設部 (Ministry of Housing and Urban-Rural Development)
“Natural Gas Sale and Purchase Agreements”	the four long-term agreements the Group has entered into with CNOOC China Limited, including (i) Dongfang 1-1 Offshore Gasfield Natural Gas Sale and Purchase Agreement entered into between the Company and CNOOC China Limited dated 28 July 2003, (ii) Dongfang 1-1 Offshore Gasfield Natural Gas Sale and Purchase Agreement entered into between CNOOC Jiantao and CNOOC China Limited dated 10 March 2005, (iii) Natural Gas Sale and Purchase Framework Agreement entered into between the Company and CNOOC China Limited dated 1 September 2006 and Ledong Natural Gasfields Natural Gas Sale and Purchase Agreement entered into between the Company and CNOOC China Limited dated 26 March 2010 thereunder, and (iv) the Dongfang 1-1 Gasfield Phase I Adjusted Project Natural Gas Sale and Purchase Framework Agreement finalised and signed among the Company, CNOOC Fudao and CNOOC China Limited on 28 October 2014
“NDRC”	國家發展和改革委員會 (National Development and Reform Commission)

“Non-exempted Continuing Connected Transactions”	the continuing connected transactions contemplated under (i) the Natural Gas Sale and Purchase Agreements, (ii) the Comprehensive Services and Product Sales Agreement (with respect to provision of services and supplies and sale of products by the Group to CNOOC Group), and (iii) the Finance Lease Agreement, which are subject to Independent Shareholders’ approval at the EGM
“PBOC”	中國人民銀行 (the People’s Bank of China)
“Platts Crude Oil Marketwire”	Platts Crude Oil Marketwire is published by Platts which is a leading global provider of energy and metals information. Platts has been widely recognised by the crude oil industry due to the high accuracy and quick update of the information provided by it, and its fair and transparency as an independent information provider. So far, major oil companies and trading companies both in China and abroad have adopted the oil price information provided by Platts as the basis to conduct their business
“PRC” or “China”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Properties Leasing Agreement”	a properties leasing framework agreement dated 28 October 2014 entered into between the Company and CNOOC
“property(ies)”	certain buildings and/or land use rights
“Proposed Cap(s)”	the proposed maximum annual aggregate value(s) for each type of the Non-exempted Continuing Connected Transactions of the Company for the period commencing from 1 January 2015 to 31 December 2017
“Prospectus”	the Hong Kong prospectus of the Company dated 18 September 2006
“Reorganisation”	the reorganisation between CNOOC Gas Pipelining and Hainan Haikong pursuant to which Hainan Haikong, an independent third party, has been absorbed and merged into CNOOC Gas Pipelining and been deregistered upon completion of the reorganization, for detailed information on which please refer to the announcement dated 28 March 2012 of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

*In addition, the terms “associate”, “connected person”, “connected transaction”, “continuing connected transaction”, “controlling shareholder”, “substantial shareholder”, “percentage ratio(s)” and “subsidiary” shall have the meanings ascribed to them under the Listing Rules.*

\* *The Chinese name(s) of the PRC entities have been translated into English in this announcement for reference only. In the event of any discrepancies between the Chinese names of the PRC entities and their respective English translations, the Chinese version shall prevail.*

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

Beijing, the PRC,  
28 October, 2014

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

\* *For identification purpose only*